

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Dearborn, MI</u>	County Wayne
Audit Date June 30, 2005	Opinion Date October 17, 2005	Date Accountant Report Submitted To State: December 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, LLP			
Street Address 27400 Northwestern Hwy.	City Southfield	State Michigan	ZIP 48037
Accountant Signature 			

City of Dearborn, Michigan
Comprehensive Annual
Financial Report
For the Year Ending June 30, 2005



Photog

Proud Past, Bright Future
1929 - 2004

CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

MAYOR

Michael A. Guido

CITY COUNCIL

Council President

John B. O'Reilly, Jr.

Council President Pro-Tem

Nancy A. Hubbard

Council Members

Mark Shooshanian
Douglas B. Thomas
Thomas P. Tafelski
Robert A. Abraham
Suzanne Sareini

James J. O'Connor
Finance Director/Treasurer

Karen A. Karasinski
Deputy Finance Director

Sharon J. Schwab
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dearborn,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

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MICHAEL A. GUIDO
MAYOR

CITY OF DEARBORN

Home Town of Henry Ford

DEPARTMENT OF FINANCE
ACCOUNTING DIVISION

JAMES J. O'CONNOR
Finance Director/Treasurer

KAREN A. KARASINSKI
Deputy Finance Director

SHARON J. SCHWAB
Assistant Finance Director

November 18, 2005

Honorable Mayor, Michael A. Guido,
Members of the City Council, and
Citizens of the City of Dearborn:

The Comprehensive Annual Financial Report (CAFR) of the City of Dearborn, for the fiscal year ended June 30, 2005, is submitted with this letter. The City's Finance Department prepared this report pursuant to requirements of both the City Charter and Michigan law.

This letter is designed to complement the Management Discussion & Analysis (MD&A) as required by Generally Accepted Accounting Principles and GASB 34 and should be read in conjunction with it. The MD&A can be found on pages 3-17 of the CAFR.

MANAGEMENT REPRESENTATIONS

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe that the financial information, as presented:

is accurate in all material aspects;

is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activity of its various funds;

includes all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

ACCOUNTING SYSTEM INTERNAL CONTROL STRUCTURE

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

the safeguarding of assets against loss from unauthorized use or disposition;

the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

the cost of a control should not exceed the benefits likely to be derived;

the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

INDEPENDENT AUDIT

State of Michigan statutes and City Charter require that an independent audit be made of the City's financial statements. In addition, the City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Plante & Moran, LLP whose reports are included, has performed the audit for fiscal year 2005.

FORM OF GOVERNMENT/CITY PROFILE

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2000 census reported a population of 97,775, which is an increase of 8,489 from the 1990 census. While many other older communities lost population, Dearborn continues to grow. The building activities reflect the desire of people to live here. The superior public services and facilities, a well-established employment base, proximity to Detroit and other affluent suburbs, Detroit Metropolitan Airport, and transportation systems, make Dearborn a desirable community in southeast Michigan for families and businesses.

The present City of Dearborn was incorporated in 1929 consolidating the former cities of Fordson and Dearborn. The City operates under a strong mayor, weak council form of government. Its most recent charter was adopted November 3, 1979 and was effective July 1, 1980. Voters recently approved the establishment of a new Charter Commission to review and update the City's Charter. Nine Commissioners will be elected in November. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the Mayor, City Clerk and seven Councilpersons who are elected at large. All terms of office are four years. Department Directors and the Chief of Staff are appointed by and serve at the pleasure of the Mayor with the exception of the Human Resource (Civil Service) Director, City Planner, City Librarian and Curator of the Historical Museum who are appointed by their respective commissions. Corporation Counsel is appointed by the Mayor, subject to confirmation by the City Council. The Mayor is responsible for administration of all departments and functions of the City government not under the jurisdiction of any other elected official or the Civil Service Commission. The City Clerk has duties related to keeping the public records. City Council is headed by a Council President who is the member receiving the highest number of votes in the last general election. The Council is responsible for all legislative matters including adoption of the City budget.

Mayor Guido and the Council of the City of Dearborn are responsive to the community. Challenges are identified, openly communicated and action is planned and taken. In November 2001 Dearborn voters re-elected Mayor Michael Guido to a fourth term in office. The Mayor received an overwhelming majority of the vote with nearly 80% of votes cast for him. The citizens showed a clear preference for continuity in leadership that enables Dearborn to build and maintain a level of public services second to none. Mayor Guido was re-elected again in 2005 after running unopposed.

GENERAL GOVERNMENT

The City of Dearborn is a full-service government. The Mayor, the Clerk and City Council have department designations. Public Safety departments include Police, Fire and Rescue and Building & Safety. The Department of Public Works manages the water and sewer systems, sanitation,

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infrastructure projects and general cleaning and maintenance of City property. Culture and Recreation encompasses a main library and three branch libraries, a Historical Museum and a robust Recreation Department including neighborhood parks, a major park, a dual ice surface arena, the Ford Community & Performing Arts Center and a municipal golf course. The City also operates a part-time Health Department. The City has separate Planning, Economic & Community Development and Housing departments. Legal, Finance, Human Resources, Assessment and Public Information function as support-type departments. The City of Dearborn is a medium sized community, but in many respects operates like a large community due to the presence of Ford Motor Company and the corresponding business environment.

PROPRIETARY TYPE OPERATIONS

The City operates the water and sewer utilities. The City relies on and compensates the City of Detroit for providing clean water and for treating sewage. The Recreation Department operates an 18-hole golf course and the Housing Department manages five retirement buildings within the City and one building in Clearwater, Florida. The Parking System Funds were established to account for the construction, maintenance and operation of City-owned parking lots. A group of internal service funds are operated to support the primary government.

FIDUCIARY FUND TYPE OPERATIONS

The City operates three pension trust funds, including two for police and fire personnel (one open, one closed) and one (closed) for substantially all other full time personnel. Effective July 1, 2005, the open revised police and fire pension trust fund is closed to newly hired police officers. All full-time not covered under one of these pension plans are covered under the defined contribution plan.

COMPONENT UNITS

The City currently has four components included in this section of the report. The East and West Dearborn Downtown Development Authorities (EDDDA and WDDDA) account for monies from tax increment financing districts under each authority's jurisdiction. These resources are being accumulated to fund future redevelopment of both the East and West Dearborn Business Districts. The Economic Development Corporation of Dearborn was created to encourage economic development primarily through the issuance of tax-exempt financing. The Brownfield Redevelopment Authority is a component unit established for the redevelopment of environmentally contaminated property. The State of Michigan provides grants and loans in support of approved projects.

BUDGET CONTROLS

The City's budget is prepared in compliance with uniform budgeting provisions of Michigan law for all governmental fund types and in conformity with generally accepted accounting principles (modified accrual basis of accounting). The proposed annual budget is delivered to City Council on April 15th and is generally adopted at the second council meeting in May. Budgets are adopted for all governmental and proprietary funds. Appropriations are controlled at the department level (General Fund), project level (Capital Improvement Fund), or fund level (all other funds), as appropriate. Encumbrances, which are reservations of fund balance and not expenditures, are used as an extension of formal budgetary control. Appropriations lapse at fiscal year-end except for the portion related to encumbered amounts and those amounts approved for carry-forward by the City Council.

ECONOMIC CONDITION AND OUTLOOK

The economy for the City of Dearborn is stable, but noticeably influenced by the national economy. Local employers, including the City, continue to reduce staffing. The overall expectation for the region for the coming year is stability and slow growth with a minimal inflation rate.

The automotive industry is one of the major industries affecting the economy of the State of Michigan. Due to the downturn and slow growth, the State of Michigan has experienced a decline in its revenues, resulting in the Governor and Legislature reducing state shared revenue distributions to local governments, including the City of Dearborn.

The City of Dearborn is an employment center as it is home to the world headquarters of Ford Motor Company. In addition to the world headquarters, Ford has a large research and development facility and the Rouge Complex manufacturing plant. Several large automotive suppliers also have operations within the City. Despite the downturn the auto industry has experienced over the last several years, Ford Motor Company continues to improve its operations to maintain its long-term viability. The rebuilding of the Rouge Plant operations that are part of Ford's Heritage Project continues with visual improvements and components placed into operation. The completed project is designed to be "state of the art" and a leader in its industrial operation.

In 2004, Severstal North America, Inc. made a \$250 million investment in Dearborn when it purchased the assets of Rouge Steel from bankruptcy. Severstal, which produces high-quality, flat-rolled carbon steel products for the automotive industry, is now the fourth-largest integrated steel company in the United States. Severstal has continued to invest in Dearborn by embarking on a \$500 million four year modernization program. Their investment will result in the preservation of approximately 2,000 direct jobs as well as another 9,300 jobs that indirectly support Severstal's operations.

The Federal Reserve low interest rate economic stimulus policy has had a positive impact on the City of Dearborn. The automotive industry continues to offer very favorable financing incentive packages to consumers to stimulate vehicle sales. The low interest rates have also supported the turnover of housing resulting in the "uncapping" of the assessed taxable value of homes. Construction activity and planned activity is quite favorable. The low interest rate environment is expected to continue to provide incentive for capital investment and reinvestment.

CASH MANAGEMENT

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its investment portfolio. Cash temporarily idle during the year was invested in certificates of deposit, U. S. government securities and top rated commercial paper. Cash is internally pooled for investment purposes using two separate pools distinguished by the investment needs of participating funds. One pool is strictly for short-term operating cash, while the other pool is composed of money that can be safely invested for periods of one to seven years. Funds in the latter pool consist mainly of self-insurance reserves and some monies designated for future financial needs. Earnings are allocated based on time and dollar weighted participation in each pool. A formal investment policy was adopted by the City Council in November 1998.

RISK MANAGEMENT

The City employs a full-time attorney to serve as a risk manager whose primary task is focusing on loss control in the areas of civil and fleet liability. The risk manager also assists with the administration of the workers' compensation program. All City programs undergo a periodic risk analysis.

Loss control services of the City's insurers are used regularly to reduce exposures. The City also maintains a program of sidewalk inspection and replacement to help reduce the number of "trip and fall" claims. In addition, high level training for police officers continues to be emphasized.

DEBT ADMINISTRATION

Debt is paid for in one of three ways. The general operating millage will pay for debt related to governmental facilities. Debt issued prior to fiscal 2005 for business-type activities will be retired with user fees. Bonds issued in conjunction with the Ford Community and Performing Arts Center as well as the Combined Sewer Overflow project will be funded by voter approved debt millages.

A ballot proposal was approved in August 2004 authorizing the City to issue debt (bonds and low interest State Revolving Fund (SRF) loans) in an amount not to exceed \$314.12 million to fund the federally mandated Combined Sewer Overflow (CSO) project. Construction of the first phase is underway and contracts have been awarded for the second phase, the East Dearborn CSO Control Program. SRF funding in the amount of \$72.9 million for the second phase was approved in September 2005, bringing the total SRF funding to \$134.5 million. In addition, \$24.5 million in open market bonds were issued for phase one construction. The City will pursue all grant opportunities and will continue to apply for low interest loans from the State of Michigan.

In addition to bonded debt, the City has used installment purchase agreements from time to time as a means of financing the acquisition of selected equipment. The expected useful life of financed equipment is five to seven years or more, which substantially exceeds the typical financing term of four years.

MAJOR INITIATIVES

The City of Dearborn's personnel continue to strive for constant improvements to provide the highest level of customer service possible within revenue constraints. Satisfaction of our citizens, customers and partners is the organization's driving force. All of the services provided are evaluated on the basis of the benefits they provide both to individual users and to the community as a whole.

In 2002, at the direction of Mayor Guido, Mark Guido, the Chief of Staff, established the City Development Initiative (CDI). The department directors serve on this steering committee and sub-committees involving all levels of personnel have been formed. The intent of CDI is to address some specific areas of interest and move the organization to a more collaborative operational approach.

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The Mayor established a set of "Mayor's Initiatives" that are focused on his priorities. Some of those items are:

- Neighborhood Preservation
- Downtown Redevelopment
- Parking Systems
- Underutilized Land

Neighborhood Preservation

Neighborhood preservation and improvement is a top priority. The "Operation Eyesore" program has been instrumental in removing substandard structures for years. The City acquires substandard properties, demolishes existing structures and then sells the property to individuals or developers.

The Mayor's "Neighborhood's First" program is an intense program of neighborhood renovation designed to help residents/property owners help themselves, thereby renewing our ongoing commitment to care for and maintain residential city property.

Five years ago, the "Residential Rescue" program was implemented. A team of city employees works aggressively to address deteriorated homes by either pursuing a renovation strategy or demolition. The program is a proactive approach and preventative in nature and seeks a beneficial outcome for all involved.

The neighborhood work of the past has provided the impetus to enhance the coordinated effort for monitoring, educating, and enforcing building and related ordinances. The Building & Safety department has brought the property assessment group, existing commercial structures group and the neighborhood services group together under one management with a mandate to improve all of our residential and commercial districts. This effort has brought together all of the neighborhood associations, east and west Dearborn business associates, the department of Housing and Urban Development (HUD), Fannie Mae and the major mortgage and financial institutions to create unique and creative programs for rehabilitation. Many of these are being recognized as National Pilot programs exploring what works for the rejuvenation of "First Suburbs" or the "World War II" era communities.

The Mayor made neighborhood sustainability and improvement a priority and has committed resources to meet that objective. Without question, Dearborn has the most proactive and progressive effort directed at neighborhoods in the State.

Downtown Redevelopment

Development and redevelopment activity can be found in several of the City's downtown areas.

Central Dearborn is following the Ford Motor Land master plan called "the Fairlane Community" that was launched in 1970. The Fairlane Community is southeastern Michigan's premier business, retail, residential and recreational community. It comprises 2,360 acres surrounding Ford Motor Company's world headquarters in Dearborn. Approximately 1,800 acres of those acres are in Dearborn. This master-planned community is a national model of aesthetic and economic success, characterized by its preservation of the environment, award-winning architecture, and full complement of world-class amenities.

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The 200,000 square-foot Ford Community and Performing Arts Center is also located in Central Dearborn. It opened in the summer of 2001 and received national recognition for its design. The combined structure is the largest municipal-owned facility of its kind in North America and continues to grow in popularity, welcoming over 800,000 visitors last year and now boasting nearly 8,900 members. This popularity is producing operating revenues that are greater than expenses, meaning the Center is paying for itself. From a cultural, a community, and a financial perspective, this Center is doing everything we had hoped for, and more. Central Dearborn is attractively designed, continues to develop, and is a very desirable location for professional businesses and living.

In the west-end business district, the City of Dearborn is partnering with a large, well-established developer to create a downtown area that will include condominiums, a hotel, a business tower and retail stores/restaurants on the south side of Michigan Avenue. When completed, it will connect to the very successful West Village area, a high density retail/residential development that became operational in the late 1990's. In addition, the City has entered into a preferred developer agreement for the development of the north side of Michigan Avenue. Preliminary ideas include condos, lofts, retail space and possibly a hotel as well as parking decks. The entire business district has become very active and in demand. Buildings are being privately acquired and rebuilt to include second floors with loft apartments. Several restaurant/bar/entertainment businesses have opened and more are expected.

The City recently purchased the vacant Montgomery Wards building in the east end of Dearborn, located across the street from City Hall, and is preparing to demolish parts of the building that are in disrepair. Once that is completed, the City will seek bids to develop the property. City officials envision a mixed-use project that could include homes and businesses or an entertainment venue. The main goal is to find something that will have a regional impact and help to foster a unique identity for East Dearborn. Across from City Hall is the Arab American National Museum which opened in May 2005. ACCESS, a non-profit organization, invested over \$15 million to construct a 30,000 square foot building that is devoted to the history and culture of Arab Americans. Many of the current businesses in East Dearborn have rebuilt or expanded their operations. Expectations are high and the potential for district improvements is positive.

Finally, the City of Dearborn has dedicated efforts to improving downtown areas by developing streetscape plans that include new sidewalks, public benches, trees and other landscaping.

Parking Systems

The City of Dearborn owns a number of parking lots, most of which are located in the East and West downtowns. Some of the outlying lots are being sold. Separate East and West Parking System Funds were established in fiscal year 2003. Distinct parking systems are being put in place for each business district. Lots are being rebuilt and redesigned to include landscaping and other aesthetically pleasing amenities. Two parking decks have been constructed to support the parking system. Additional decks may be built if demand and/or future developments with higher density are initiated. The West Dearborn Parking System is implementing a user paid system.

Underutilized Industrial Land

The City of Dearborn has little undeveloped property available. The City has been approached by organizations interested in locating within the community. Large parcels of property for industrial or business use are in demand. Much of the industrially zoned property was developed in the early part of the last century. Approximately 75% of industrial acreage not owned by Ford,

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Visteon, or Severstal North America, Inc. is considered to be underutilized or undervalued due to age or obsolescence.

The City of Dearborn is actively involved in the redevelopment of brownfield locations. A brownfield is a commercial property that is abandoned or is perceived to contain environmental contaminants prohibiting re-use or redevelopment. These properties become eyesores, decline in value, and can negatively impact the surrounding properties. Dearborn has pursued Federal and State assistance for projects of the brownfield nature and has successfully redeveloped several brownfield sites.

Property is being acquired in an area that is geographically favorable for industrial use and in close proximity to other industrial activity. This area is cut-off by freeways and major roadways from the rest of the city and is unfavorable for accessing schools. It is anticipated that the parcels will be consolidated and converted to a new use.

Smaller new developments and redevelopments are evident throughout the City. The demand for vacant property is high. Contractors aggressively pursue and bid for limited vacant land. Developers are purchasing property with older buildings, demolishing the old structures, and building new facilities to match current use/demand. All of these initiatives show the City of Dearborn's commitment to maintaining its viability as a residential and business community.

Other Initiatives

The City has made significant upgrades in the technology used to perform daily functions. One recently completed effort was upgrade of the City's computer technology which included the replacement of over 900 computer workstations as well as the rebuilding of the City's network infrastructure. This will allow for more cost effective maintenance and for the installation and implementation of other business applications. In addition, the City has recently implemented an Interactive Voice Response (IVR) system in the Treasury division to assist citizens with tax related questions.

In addition, efforts are underway to update the City's Purchasing ordinance to incorporate the use of modern purchasing practices including the use of procurement cards (P-Cards) for small dollar purchases.

Outside of the CDI efforts, the Federally mandated Combined Sewer Overflow (CSO) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit has been negotiated with the Michigan Department of Environmental Quality (DEQ) and required the project to be completed by 2010.

The City of Dearborn has implemented funding mechanisms for major asset replacement, infrastructure replacement and capital type maintenance. The City Engineer has set funding levels for streets, sidewalks, water and sewer lines. Major assets such as vehicles and off-road equipment have replacement schedules with replacements funded on an ongoing prorated annual basis. Technological equipment is following the same funding approach and a mass replacement was completed in fiscal year 2005.

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AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Appreciation is extended to the elected officials, department heads, and other employees responsible for contributing to the sound financial position of the City. In particular, we acknowledge the special efforts of the entire Finance Department as well as the staff from other departments that contributed to the development of this report.

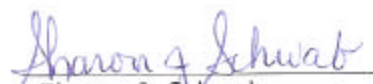
Respectfully submitted,



James J. O'Connor
Finance Director/Treasurer



Karen A. Karasinski
Deputy Finance Director



Sharon J. Schwab
Assistant Finance Director

CITY OF DEARBORN MISSION STATEMENT

PREAMBLE

Dearborn has a reputation for providing outstanding public service. For over 70 years, Dearborn citizens have benefited from a public service philosophy that has placed their well-being ahead of all other priorities. Today, because of this philosophy, providing outstanding public service is no longer a goal; it's a standard. This standard makes Dearborn a unique and special place to live and work.

Dearborn citizens have responded with a deep sense of loyalty and devotion to the city. They possess a fierce pride in its reputation and are confident in the city's ability to prosper in the future.

MISSION

Our mission is to provide the best possible public service as defined by the citizens of this community in the most efficient manner. This mission includes preserving the finest from Dearborn's past and building on past successes for the future.

GUIDING PRINCIPLES

Dearborn citizens can expect:

The city's total commitment to provide the best possible service

Respect and courtesy

Fair and consistent treatment

Cooperation and honesty

Open communication and easy accessibility

Our constant readiness to help

City employees can expect:

Trust, respect, honesty, and fairness

The basic resources needed to do a good job

Clear and complete direction when necessary

A supportive environment that encourages input on what should be done and how it should be done

Recognition and reward based on merit

City employees are expected to:

Make a total commitment to provide the best possible public service

Use all available resources efficiently and effectively

Continuously seek ways to improve service delivery through innovation

Continuously seek feedback from citizens

Be responsible and accountable for their actions

Ask for training when necessary

Challenge the status quo if they believe that service delivery can be improved

Value, support, and respect co-workers as teammates

The city administration will:

Foster cooperation and teamwork between employees and citizens

Evaluate every action based on its value to our citizens

Work with other public agencies to obtain the most benefits for our citizens

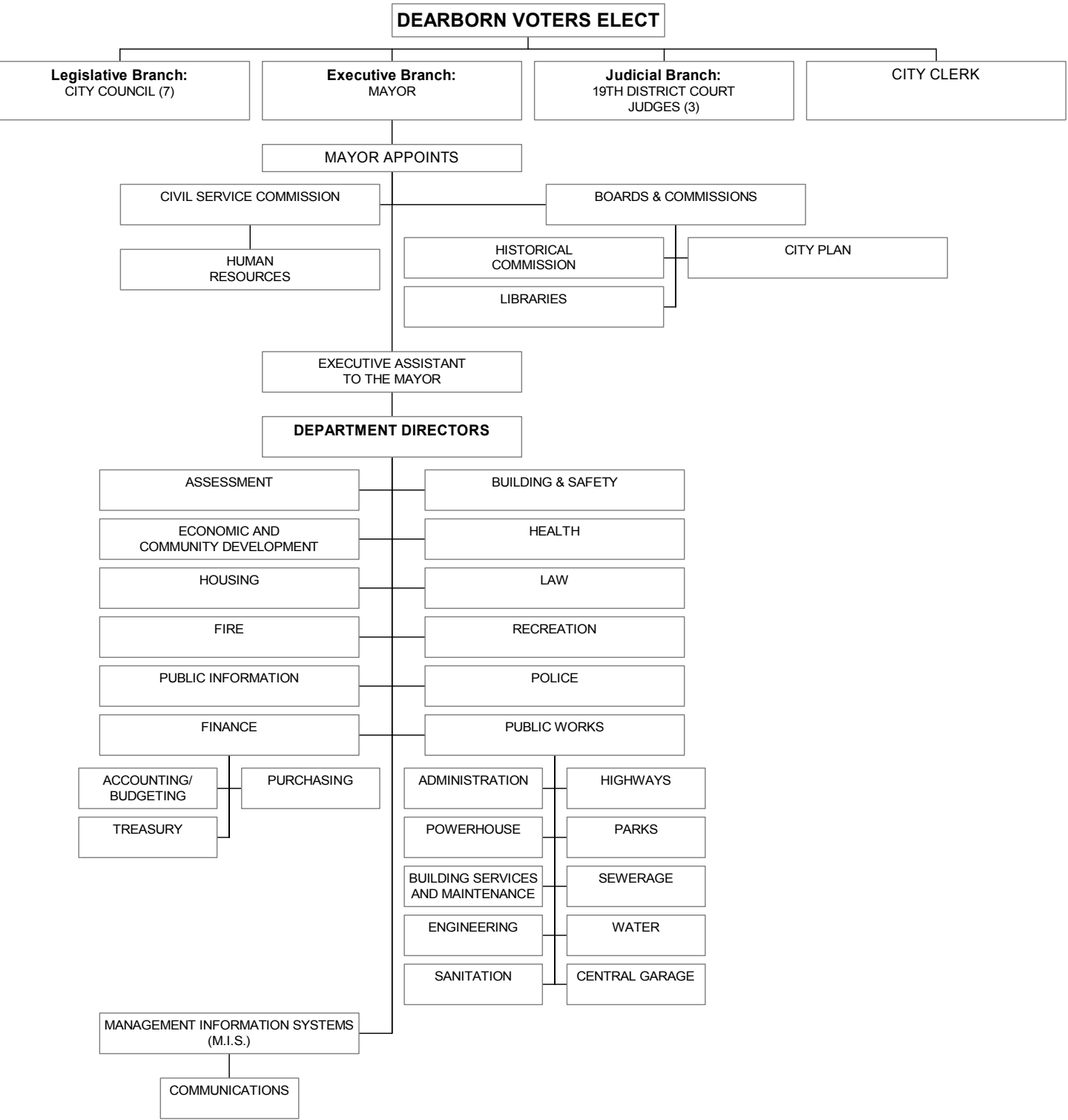
Attract citizens dedicated to Dearborn and its future

Continually strive to improve our efficiency and effectiveness

CITY OF DEARBORN



DEARBORN'S ORGANIZATION CHART



CITY OF DEARBORN, MICHIGAN

List of Principal Officials

June 30, 2005

TITLE	NAME
Mayor	Michael A. Guido
City Clerk	Kathleen Buda
City Council President	John B. O'Reilly, Jr.
Council President Pro Tem	Nancy A. Hubbard
Council Members	Mark Shooshanian
	Douglas B. Thomas
	Thomas P. Tafelski
	Robert A. Abraham
	Suzanne Sareini
Building & Safety Director	David J. Norwood
City Assessor (Acting)	Bonnie L. Ordus
City Engineer	Godfrey A. Udoji, P.E.
City Librarian	R. Patrick Coady, Ph.D.
City Planner	John J. Nagy
Corporation Counsel	Debra A. Walling
Economic & Community Development Director (Acting)	Michelle DaRos
Mayor's Chief of Staff	Mark G. Guido
Finance Director/Treasurer	James J. O'Connor
Human Resources Director	Valerie Murphy-Goodrich
Manager Information Systems	Doug Feldkamp
Purchasing Agent (Acting)	Karen Karasinski
Fire Chief	Nazih Hazime
Health Director	Joan Gumkowski
Housing Director	Floyd Addison
Museum Chief Curator	Mary V. MacDonald
Police Chief	Michael Celeski
Public Works Director	Kurt A. Giberson
Public Information Director	Mary Laundrouche
Recreation Director	Greg Orner

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Dearborn, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the General Fund budgetary comparison schedule as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members
of the City Council
City of Dearborn, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2005, on our consideration of the City of Dearborn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

October 17, 2005

This section of the City of Dearborn's annual financial report represents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2005. It should be reviewed in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets (on page 19) and the Statement of Activities (on pages 20 and 21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. These statements tell how services were financed in the short term as well as what remains for future spending for governmental activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 19. One of the most important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the conditions of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here including police, fire, public works, recreation and the general administration. Property taxes, franchise fees, and state-shared revenues finance most of these activities.

Business-type activities – For these activities, the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system, golf course, housing, and parking system activities are reported here.

Component units – The City includes four separate legal entities in its report – the East and West Dearborn Downtown Development Authorities, the Brownfield Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 22 and provides detailed information about the most significant funds; not the City as a whole. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental **activities** (reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities) and governmental **funds** in a reconciliation following the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements with more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services to the City's other programs and activities. The activity of the internal service funds is eliminated in the government-wide statements to avoid any "doubling up" in reporting revenues and expenses.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 34 and 35. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

The City as a Whole

The following table reflects the condensed Statement of Net Assets compared to prior year:

**Table 1
Net Assets
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
Current and other assets	\$ 104.8	\$ 101.3	\$ 74.0	\$ 56.7	\$ 178.8	\$ 158.0
Capital assets	129.9	128.5	174.6	139.5	304.5	268.0
Total assets	234.7	229.8	248.6	196.2	483.3	426.0
Long-term liabilities	40.5	41.9	72.3	41.8	112.8	83.7
Other liabilities	10.4	6.3	17.3	9.0	27.7	15.3
Total liabilities	50.9	48.2	89.6	50.8	140.5	99.0
Net assets:						
Invested in capital assets, net of debt	100.5	96.7	102.1	109.6	202.6	206.3
Restricted	10.3	10.1	38.5	15.9	48.8	26.0
Unrestricted (deficit)	73.0	74.8	18.4	19.8	91.4	94.6
Total net assets	<u>\$ 183.8</u>	<u>\$ 181.6</u>	<u>\$ 159.0</u>	<u>\$ 145.3</u>	<u>\$ 342.8</u>	<u>\$ 326.9</u>

Table 1 Comments:

Total Primary Government net assets increased 4.8% or \$15.9 million from \$326.9 million to \$342.8 million. Of this change \$2.2 million is attributable to Governmental Activities and \$13.7 million increase in Business-type Activities.

Governmental Activities total assets increased 2.1% or \$4.9 million from \$229.82 million to \$234.7 million. The most notable change is the increase in current and other assets of \$3.5 million and in other liabilities of \$4.1 million.

The most significant change in business-type activities is related to capital assets and long-term liabilities which is covered in Table 3 and Table 4, respectively. Restricted net assets are primarily resources associated to the Combined Sewer Overflow Project.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

The following table reflects the condensed Statement of Activities.

Table 2
Changes in Net Assets
(in Millions)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
Revenues						
Program revenues:						
Charges for services	\$ 18.7	\$ 19.2	\$ 35.9	\$ 35.4	\$ 54.6	\$ 54.6
Grants	13.7	14.1	9.7	2.6	23.4	16.7
General revenues:						
Taxes	71.5	70.7	-	-	71.5	70.7
Intergovernmental revenue	10.2	10.4	0.1	0.1	10.3	10.5
Investment earnings	2.1	1.1	1.3	0.5	3.4	1.6
Other general revenues	(1.0)	(0.4)	0.2	(1.7)	(0.8)	(2.1)
Total revenues	<u>115.2</u>	<u>115.1</u>	<u>47.2</u>	<u>36.9</u>	<u>162.4</u>	<u>152.0</u>
Program expenses						
General government	19.9	17.3	-	-	19.9	17.3
Public safety	50.3	43.7	-	-	50.3	43.7
Public works	16.0	18.7	-	-	16.0	18.7
Health & welfare	1.0	0.9	-	-	1.0	0.9
Recreation & culture	20.3	19.5	-	-	20.3	19.5
Community Improvement	3.5	5.0	-	-	3.5	5.0
Interest on long-term debt	1.3	2.0	-	-	1.3	2.0
Housing	-	-	3.1	3.8	3.1	3.8
Parking	-	-	0.5	0.4	0.5	0.4
Golf Course	-	-	1.6	1.5	1.6	1.5
Sewer	-	-	17.9	17.0	17.9	17.0
Water	-	-	11.1	11.2	11.1	11.2
Total expenses	<u>112.3</u>	<u>107.1</u>	<u>34.2</u>	<u>33.9</u>	<u>146.5</u>	<u>141.0</u>
Excess (deficiency)						
before special items & transfers	2.9	8.0	13.0	3.0	15.9	11.0
Transfers	(0.7)	(0.8)	0.7	0.8	-	-
Increase (decrease) in net assets	<u>\$ 2.2</u>	<u>\$ 7.2</u>	<u>\$ 13.7</u>	<u>\$ 3.8</u>	<u>\$ 15.9</u>	<u>\$ 11.0</u>

Table 2 Comments:

Total Primary Government net assets increased \$15.9 million in fiscal year 2005. Governmental Activities total revenues increase minimally at a rate of 0.1%. Governmental Activities total expenses increased 4.9% due to the increase in personnel and benefit costs. The growth of expenses at a rate greater than revenues is an issue of concern and the city is taking action to remedy.

Business-type activities total revenues increased 27.9% and total expenditures increased 0.9%. The increase in revenues is due to grant revenue received for the Combined Sewer Overflow project.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

General Fund Budgetary Highlights

Over the course of the year, the Mayor and City Council revised the City budget. The budget is automatically amended with the carry-forward of project-life budgets and for open commitments rolling to the following fiscal year. The budget is also amended by resolution for specific requests, generally for items that were intended to be completed or expended in the previous fiscal year but for some extenuating circumstance were postponed. During the fiscal year, the budget is amended for unanticipated events that could not be foreseen and for opportunities that arose and weren't known previously. Even with these adjustments, the actual charges to appropriations (expenditures) were approximately \$7.6 million below the final budget amount.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2005, the City had approximately \$304 million invested in a broad range of capital assets, including vehicles, police and fire equipment, buildings, park facilities, roads, bridges and water and sewer lines. (See Table 3 below.)

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
Land	\$ 4,391,264	\$ 4,336,569	\$ 5,142,173	\$ 4,528,085	\$ 9,533,437	\$ 8,864,654
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	3,104,307	1,075,651	95,605,713	59,206,707	98,710,020	60,282,358
Infrastructure assets	36,117,661	33,636,227	-	-	36,117,661	33,636,227
Buildings & improvements	77,239,437	78,566,679	10,583,085	11,069,710	87,822,522	89,636,389
Machinery & equipment	8,978,551	10,791,107	1,276,983	1,250,945	10,255,534	12,042,052
Water system	-	-	35,202,288	36,087,993	35,202,288	36,087,993
Sewer system	-	-	26,744,129	27,337,226	26,744,129	27,337,226
Total	\$ 129,869,038	\$ 128,444,051	\$ 174,554,371	\$ 139,480,666	\$ 304,423,409	\$ 267,924,717

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

Table 3 Comments:

This year's major additions included:

Governmental activities:

Construction in Progress:

HFCL Parking Lot	\$ 557,213
Dunworth Pool Filtration/Circulation Replacement	1,022,848
Police Building Security System	711,180
Ford Field Bridge Construction (completed project)	(691,653)
Hemlock Park Restroom (completed project)	(245,623)
Infrastructure assets, net increase due to cost less depreciation	2,481,434

Buildings and improvements, net change due to completed projects less depreciation	2,654,482
--	-----------

Business-type activities:

Land:

Parking Systems net additions	614,088
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Buildings and Improvements:

Water Fund storage building	-
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Construction in Progress (net change):

Parking Systems	9,805,451
Sewer Fund	24,325,643
Water Fund	2,267,913

Buildings and improvements, net change due to completed projects less depreciation	(486,625)
--	-----------

Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 56-58 of this report.

Debt

At fiscal 2005 year-end, the City had approximately \$102.6 million in bonds and notes outstanding versus \$75.2 last fiscal year – an increase of 36.3% - as shown in Table 4.

Table 4
Outstanding Debt, at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
General obligation bond (backed by City)	\$ 30,489,918	\$ 33,611,717	\$ 47,132,660	\$ 14,889,626	\$ 77,622,578	\$ 48,501,343
Revenue bonds and notes (backed by specific tax and fee revenue)	\$ -	\$ -	\$ 24,953,267	\$ 26,723,565	\$ 24,953,267	\$ 26,723,565
Total	<u>\$ 30,489,918</u>	<u>\$ 33,611,717</u>	<u>\$ 72,085,927</u>	<u>\$ 41,613,191</u>	<u>\$ 102,575,845</u>	<u>\$ 75,224,908</u>

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

On September 14, 2004, the City of Dearborn issued \$24,500,000 of General Obligation Unlimited Tax Bonds to finance the construction of the Combined Sewer Overflow project. These 30-year bonds have interest rates that range from 3.0% to 5.0%. The City is obligated to pay interest commencing April 1, 2005 and semiannually thereafter. The first principal payment is due April 1, 2006 and will continue to be due annual June 1 through 2034.

On September 23, 2004, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$61,640,000 in principal of General Obligation Sewer Bonds, Series 2004A (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing April 1, 2005 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027.

Additional information on the City of Dearborn's long-term debt can be found in Note 4 on pages 59-65 of this report.

Fiscal Year 2006 Budgets & Rates

All fund budgets, as submitted, are balanced and financed by either current estimated revenues or fund equity. The total of the General Fund expenditure budget is \$105,442,492 and the combined expenditure budget for all funds, before the elimination of inter-fund duplicating transfers, is \$201,366,412.

The operating and the garbage and rubbish millage combined rates are equal to the previous fiscal year at 14.75 mills. The November 1996 voted debt millage rate decreased from .52 mills to .40 mills and the August 1994 voted debt millage will be levied for the first time at .71 mills. The net total millage rate is .59 mills higher than the last fiscal year at 15.86 mills.

The City of Dearborn combined water and sewer rate increased 9.4%. The increase in rates from the City of Detroit and capital infrastructure projects are the drivers of the increase. The Combined Sewer Overflow (CSO) projects and the continued replacement of aging systems may influence rates in the future.

Table of Major Revenue Rates

Description	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Difference
Tax Millage Rate:			
City Operating	13.5900	13.6275	(.0375)
Garbage & Rubbish	1.1600	1.1225	.0375
Debt Service	.5200	1.1100	.5900
Total Millage Rate	15.2700	15.8600	.5900
Water Rate	8.01	12.15	4.14
Sewer Rate	21.81	20.48	(1.33)

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

Major Capital Initiatives

The 2005-2006 funding of the Capital Improvement Plan is \$23,063,094. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General Fund via the General Capital Improvement Fund, Community Development Block Grant Fund, Major and Local Street Funds, and the Water and Sewer Funds.

Property - \$750,000

◆ Brownfield Redevelopment	\$ 500,000
◆ Operation Eyesore	250,000

Infrastructure - \$19,702,952

◆ Streets	5,802,228
◆ Water	3,808,440
◆ Sewer	9,092,284
◆ Sidewalk	1,000,000

Facilities - \$1,514,865

◆ Facility Deficiencies	870,000
◆ ADA Compliance	50,365
◆ Other Facility Projects	594,500

Other - \$1,095,277

◆ Parking System	150,000
◆ Other and Contingency	945,277

Redevelopment

The City is periodically contacted with requests to identify large parcels of land. It has been difficult to meet the demand and too often opportunities are foregone. Underutilized property exists within the City and there are efforts to assemble parcels for development. Some of the property may require environmental remediation to address previous industrial use issues. This strategic effort is speculative and will involve the investment of resources for several years. The demand for property is consistent and the investment is expected to be low-risk but not expected to yield immediate return. The effort is focused on long-term positioning and not on short-term return. It is very important that underutilized property be reconditioned and returned to its highest applicable use capacity.

General Fund - Estimated Revenues

The General Fund \$105,442,492 expenditure budget is financed by income of \$101,128,778 and fund balance of \$4,313,714. The use of fund balance is directly related to the state of the economy and the municipal finance model not producing revenue increases that keeps pace with personnel benefit cost increases. Many efforts have been made to control costs and will continue for at least the coming year. The Mayor and Council agreed that they would continue to take the time to make wise decisions.

Property taxes and related sources total \$70,189,466, an increase of \$1,528,902 or 2.23% over the previous year's budget. Property taxes and related sources account for 69% of total General Fund revenues. Ad valorem real property values in comparison to ad valorem personal property values have shifted from a 70/30 mix in the early 1990s to a current 80/20 mix. Prior to fiscal year 2004 (tax year 2003), personal property was the second largest tax base and now it is third. Residential property is the largest taxable property value and has produced the greatest return. Demand is high for residential property but we must recognize that growth is limited. Residential property equates to 47.92% of the ad valorem property value which is the highest percentage of any single property classification and up from 38.62% in 1995 with the implementation of Proposal "A". The following paragraphs will cover the State mandated changes that have reduced or limited property tax revenues.

This is the sixth year of the State Tax Commission revised depreciation personal property multiplier tables and again, personal property taxes decreased. Personal property taxable values correspondingly have decreased the past six years as follows: 2.88% for fiscal year 2006, 5.38% for fiscal year 2005, 3.91% for fiscal year 2004, 6.26% for fiscal year 2003, 8.9% for fiscal year 2002, and 3.76% for fiscal year 2001. These depreciation tables continue to decrease taxable personal property value in a more rapid fashion than the previously used tables. In other words, this revenue source has experienced large reductions and will continue to decline. The revenue could stabilize if businesses invest in new personal property that offset the faster depreciation amounts. A good economy hides some of the impact of the new tables but in a slow economy, the new tables are even more evident. The City Assessor has contracted for the audit of personal property returns and the outcome has produced favorable offsets to the reductions.

The 2.3% real property growth inflation factor for fiscal year 2005 set by Proposal "A" of 1994 limited the growth of the largest property classification. Low mortgage interest rates combined with demand for property provided some relief with the turnover of property resulting in the uncapping of values. The difference between Taxable Value and State Equalized Value, multiplied by the current tax rate, would yield increased annual tax revenues in excess of \$11,500,000. This property tax limitation law has dramatically affected City revenues.

State Shared Revenue is the next largest single revenue for the General Fund and is estimated at \$9,915,756, which is \$491,359 more than the previous year's budget and approximately equal to what was received in fiscal year 2005. State Shared Revenue is exclusively funded by sales tax. Income tax, single business tax, and inventory reimbursements were legislatively discontinued from distribution to local units of government after fiscal years 1997, 1996, and 1999 respectively. The State Constitution limits the sales tax rate to 6% and dedicates taxes levied at the rate of 2% to the State School Aid Fund. The State Constitution mandates that 15% of total revenues collected from sales taxes levied at a rate of 4% be distributed to townships, cities, and villages. In addition to the constitutional distribution, there is a statutory distribution of sales tax.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

The State Shared Revenue distribution formula was revised three years ago with an emphasis on population. The new formula is phased in over 10 years. The 2000 Census figures are a very important component of the calculation for Dearborn. The Dearborn population grew 10% or 8,489, from 89,286 (1990) to 97,775 (2000) per the U.S. Census. The State has not fully funded, by appropriation, the statutory distribution formula and has used these reductions to help balance the State's budget. The continued slow economy with no growth in sales tax revenues available for distribution to local governments and the State's decision to not fund distributions per the formula are significant concerns.

Property taxes and Intergovernmental Revenues (mostly State Shared Revenue) account for 80.0% of the General Fund revenue budget. The remaining revenues are important but not of the same magnitude.

Charges for services are estimated at \$9,770,397, which is an increase of \$13,305. Licenses and permits are estimated at \$2,675,050, which is an increase of \$4,500. The primary reasons for the slight increase are corrections to rates and fee structures as well as adjustments to activity estimates.

Fines and forfeits are estimated at \$2,735,500, which is a decrease of \$243,800. Changes were made to assumptions based on recent experience. In 2003 the Court reduced revenue estimates when the State increased the fine revenue due to them. The decrease from fiscal year 2005 is additional impact of those changes.

Interest income from investments is estimated at \$757,953, which is an increase of .16% or \$1,200 based on the speculation that no change will occur in the interest rate environment. Working capital is expected to remain strong but the Federal Reserve is fighting inflation with small and slow changes in interest rates.

General Fund - Expenditure Appropriations

The adopted expenditure appropriation for fiscal year 2004-2005 was \$104,055,775 and in fiscal year 2005-2006 it is \$105,442,492. The net increase is \$1,386,717 for all operating costs. The table below displays the changes by expenditure classification.

	FY 05 Adopted Budget	FY 06 Adopted Budget	Difference	Percent Change (see note)
Personnel Services	\$76,212,919	\$79,311,652	\$3,098,733	4.1 %
Operating Expenses	16,920,699	16,953,342	32,643	0.2 %
Supplies	2,740,244	2,868,123	127,879	4.7 %
Utilities	3,735,500	3,685,607	(49,893)	(1.3) %
Capital Outlay	951,000	922,772	(28,228)	(3.0) %
Debt Service	1,727,713	1,715,722	(11,991)	(0.7) %
Transfers Out	4,193,753	2,377,500	(1,816,253)	(43.3) %
Undistributed Appropriations	984,997	944,398	(40,599)	(4.1) %
Expenses Allocated Out	(3,411,050)	(3,336,624)	74,426	(2.2) %
Totals	<u>\$104,055,775</u>	<u>\$105,442,492</u>	<u>\$1,386,717</u>	1.3 %

Personnel Services

Salaries, wages, and benefits account for 75.2% of the total General Fund expenditure budget. The 4.1% increase is the result of increasing benefit costs. Salaries and wages increased \$1,690,411 or 3.4%. As mandated by the voted charter amendment, fourteen new police officer positions were added and sixteen non-police positions were reduced for a net reduction of two with eighty-nine full-time positions eliminated for a four-year city-wide cumulative total. Benefit costs increased \$1,408,322 or 5.4%. The major benefits increase is pension funding at \$1,667,622. Benefits also increased due to the ever increasing health care and post-retirement health care with a combined increase of \$1,316,759.

Operating Expense, Supplies & Utilities

City departments have done excellent work at decreasing operating costs. Most departments have reduced staff and are restructuring in varying degrees. Some consultants are being utilized to help position departments for enhanced performance given the reduction in available resources.

Capital Outlay

Vehicles, equipment, computers, and copiers are paid for on an ongoing basis as part of the operating budget. Money is accumulated or borrowed for replacements. Each department pays an annual amount to cover replacement costs.

The following listing summarizes capital outlay by classification of expenditure.

Library Materials	\$ 670,000
Data Processing	\$ 45,000
Radio	\$ 81,000
Operating Equipment	\$ 126,772

Resources are allocated for capital in every budget cycle to prevent the deferring of capital reinvestment. The approach consistently applied is to fund asset replacements on an ongoing basis. Typically, there is a schedule of assets with a replacement rotation on a level funding basis or the accumulation of resources for mass replacement. This depends on the type of asset and the best overall approach for the asset type. The Capital Improvement Fund is provided an allocation annually for significant capital repairs, replacements, and renovations. An extensive Facilities Study has been performed and the results are used to prioritize projects. Combining these approaches with preventative maintenance helps to maintain assets in good condition, extend useful life, and manage costs.

Debt Service

Debt Service represents lease payments to the Building Authority or direct payments for debt service. The Court & Police building payments are \$921,352. The lease for the Powerhouse renovation, the Ford Woods Park reconfiguration, and the additional ice surface for the Dearborn Ice Skating Center is \$794,370. When possible, debt is refinanced for lower interest rates.

City of Dearborn, Michigan

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Transfers out

Transfers out are in support of operating activities or capital projects. The following list represents contributions and purpose.

Contribution to:

Designated Purposes	\$ 249,500	Homecoming, Memorial Day, Employee Wellness
Camp Dearborn	\$ 250,000	Support of Operations
Camp Dearborn	\$ 250,000	Support of Capital Investment
Local Streets	\$ 200,000	Support of Capital Investment
Capital Improvement	\$ 1,000,000	Capital project financing
Central Garage	\$ 178,000	Operating Subsidy
Fleet & Gen. Liability	\$ 250,000	Tax Settlement Reserve

Undistributed appropriations

Undistributed appropriations are comprised of a \$750,000 contingency for the General Fund non-departmental and \$170,038 miscellaneous department contingencies. The contingency account is used to budget for risk. Historically, if a department was aware of an event that could occur in the following year, a budget would have been requested for that event. This resulted in many budget items to handle "what if" situations in a single department. All of these "what if" situations are being combined to a lower number that will handle some, but not all, of the situations. The expectation is that not all of the events will occur or result in costs.

Expenses allocated out

Expenses allocated out are the result of services provided directly to other funds, mostly by the Highways Division of Public Works to the Major and Local Street Funds. These are credits to the General Fund and charges to the other funds. Credits will vary depending on projects scheduled, funding levels, and the actual inter-fund activity.

General Fund - Equity

The fund balance of the General Fund is budgeted to absorb \$4,313,714 per the 2005-2006 adopted budget. Bond rating agencies consider the fund balance as a component in establishing a rating. The City of Dearborn has received good ratings in part due to a healthy balance sheet. The 2005-2006 budget reflects planned usage of the fund balance in order to provide the time needed to adjust operations in the best possible manner. The departments are continuing to propose adjustments to align appropriations with revenues. The City will continue its historical commitment to good financial management.

Unexpended "project life" appropriations from the current fiscal year do not lapse at fiscal year end and are committed to the project. In order to prevent the re-budgeting of resources, these budgets, in essence, are reserved. This is a standard practice across all funds.

As a mature community, Dearborn must reinvest in and promote itself to preserve Dearborn as an attractive place to live and work for a wide mix of people from various socio-economic and ethnic groups. As previously mentioned, there are projects planned that will have a long-term beneficial affect on the long-term well-being of the community.

Future Financial Challenges

Vision and good planning are necessary to position the City for the future. Proposal "A" of 1994, the Headlee Tax Millage Rollback Amendment, and the "built out" land status all contribute to limiting tax revenue growth. The State's reduction in revenue sharing to municipalities is most unfavorable. Combining these challenges with the impact of the slow economy on other revenues and also causing some expenditures such as pension contributions to increase, makes for a very difficult situation. For fiscal year 2007, the Mayor and Council are aware that some continued downsizing will be necessary.

To hedge the financial challenges impact on the future, the City Leaders adopted a redevelopment strategy directed at rejuvenating brownfields and critical areas that will ensure the long-term success of the community. Among the many side benefits will be an improvement to the community in which we live. Also, the Ford Community & Performing Arts Center gives Dearborn a competitive advantage for attracting residents. Combined with other advantages such as good schools, good employers and employment opportunities, proximity to a major airport, major highways, and education centers, Dearborn is strategically well positioned; however, given the revenue growth restrictions already mentioned, fiscal responsibility and operational effectiveness/efficiencies will need to be primary focuses of every person working at the City.

Other Governmental Fund Types

This section addresses issues concerning other fund types and is not intended to be a detailed review of all these funds. Major and Local Street Funds rely on State Gas & Weight Tax revenue. The FY2006 estimated Gas & Weight Tax revenue budget for both funds combined increased 1.7% or \$116,711 more than FY2005. The funding for the past several years is virtually a no-growth status when adjusted for inflation. The Local Street Fund operating transfers-in of \$4.4 million includes \$3.6 million contribution from the Major Street Fund and \$700,000 from the Community Development Block Grant Fund. Both funds have the financial capacity to maintain and rebuild the roads, as proposed, in the coming fiscal year. If actual revenues fall below budget, some construction work may need to be postponed. The fund balance of the Major Street Fund and Local Street Fund is budgeted to help support the scheduled projects.

The proposed budget includes a \$500,000 contribution from the General Fund to the Camp Dearborn Operating Fund. This includes \$250,000 for an operating subsidy and \$250,000 for capital investment. The Capital Improvement Plan includes capital support for the Camp for the next couple years. The Camp is being modernized with amenities that include full-service RV sites.

The combined grant revenue stream from the Community Development Block Grant Fund and the Home Weatherization Fund is projected to be \$2,508,260, which is \$268,858 less than FY2005.

The November 1996 voted Civic Center Unlimited Tax General Obligation Bonds for \$23,860,000 were issued June 11, 1998. The tax millage rate for fiscal year 2005-2006 is .40 mills for debt service to pay the principal and interest payments on these bonds. This rate decreased .12 mills from last year.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2005

The General Capital Improvement Fund is primarily financed by contributions from other funds. The Capital Improvement Plan is included in this document and presents both projects in progress and scheduled projects.

Proprietary Fund Types

Parking System

The East and West Dearborn Parking System Funds are merged and reported as a single fund for financial reporting. These funds account for the operations and capital projects of the parking systems. These funds are budgeted to be self-supporting in all respects, with the West Dearborn Parking System implementing user paid parking in fiscal year 2006. The \$9,221,174 projected retained earnings is the result of debt financed parking improvements including two decks that will be depreciated over time. The liquid retained earnings are expected to be sufficient for working capital only.

Housing

The Seniors Apartment Operating Fund is budgeted to contribute \$261,200 to retained earnings. The working capital and equity of the fund are both financially healthy. The Dearborn Towers Fund is budgeted to contribute \$158,174 of retained earnings for capital projects. This fund has sufficient operating working capital, but lacks resources for major capital re-investment in the facility.

Golf Course

The operation continues to be successful and is an independent going concern. All debt payments and liabilities are paid by the income from operations.

Utility Funds

Water rates and sewer rates are set by ordinance and the budget revenue estimates are based on the assumptions listed in the table earlier in this memo. The revenues support operations, maintenance, and system replacements. The funds are operating on a "pay as you go basis" and are not building much excess reserves. The City Engineer has established a target infrastructure investment amount for each system and efforts are made to fund the capital projects at this level.

A ballot proposal was approved in August 2004 authorizing the City to issue debt (bonds and low interest State Revolving Fund (SRF) loans) in an amount not to exceed \$314.12 million to fund the federally mandated Combined Sewer Overflow (CSO) project. Contracts awarded last year for the first phase of construction are underway and contracts have been awarded for the East Dearborn CSO Control Program. In September 2005 an application was approved for additional SRF funding in the amount of \$72.9 million for the City of Dearborn, bringing the total SRF funding to \$134.5 million. Open market bonds for phase one have been issued in the amount of \$24.5 million. The tax millage rate for fiscal year 2005-2006 is .71 mills for debt service to pay the principal and interest payments on these bonds.

Central Garage

The Central Garage Fund receives money for services provided to other funds and therefore does not build up much in reserves. Working capital is sometimes low but the fund maintains a positive position. The long-term financial operational target is to break even while maintaining the fleet.

The budget includes funding of vehicle and equipment replacement reserves. The funding is used to purchase replacement equipment in the coming year. In addition, there is funding accumulating for future asset replacements. This funding, combined with the sales or scrap value of retired assets, will be used to acquire replacements at the optimum point in the assets' life cycles. The intention is not to fully fund the replacement of all assets but to fund at a level to be able to replace assets based on a predetermined schedule.

Insurance Funds

These funds are all in good financial condition in relation to their purpose. The ever-increasing cost of health care makes it difficult to build up resources in the Post Retirement Health Care Fund for funding the long-term retiree health care liability. The City is better positioned than most and will implement the Governmental Accounting Standards Board pronouncements as scheduled for fiscal year 2007. The fund is healthy and performing to purpose but it would be growing faster if the increases in the cost of health care costs were not so substantial every year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Finance at the City of Dearborn, 4500 Maple, Dearborn, MI 48126.

City of Dearborn, Michigan

Government Wide Statement of Net Assets June 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 6,246,364	\$ 1,090,237	\$ 7,336,601	\$ 694,806
Investments (Note 2)	61,729,843	16,262,170	77,992,013	2,705,839
Accounts Receivable (Net)	1,682,267	6,897,414	8,579,681	-
Unbilled accounts receivable	-	1,995,468	1,995,468	-
Property taxes receivable	725,270	-	725,270	21,423
Interest and penalties on taxes	194,964	-	194,964	-
Accrued interest receivable	635,455	292,602	928,057	27,982
Special assessments receivable	48,982	-	48,982	-
Internal balances	769,401	(769,401)	-	-
Due from other governments	5,942,360	5,973,316	11,915,676	-
Prepaid items	2,097,613	149,915	2,247,528	816
Inventories	4,483,179	420,349	4,903,528	-
Total current assets	84,555,698	32,312,070	116,867,768	3,450,866
Noncurrent assets:				
Advance to other funds	350,667	(350,667)	-	-
Restricted cash and investments	475,482	38,417,151	38,892,633	-
Investments, long-term	19,428,199	3,660,734	23,088,933	741,328
Capital assets, not being depreciated (Note 3)	7,533,389	100,747,886	108,281,275	-
Capital assets, net of depreciation (Note 3)	122,335,649	73,806,485	196,142,134	-
Total noncurrent assets	150,123,386	216,281,589	366,404,975	741,328
Total assets	234,679,084	248,593,659	483,272,743	4,192,194
Liabilities				
Current liabilities:				
Accounts payable	3,273,958	15,887,964	19,161,922	95,456
Accrued interest payable	131,367	556,358	687,725	-
Accrued liabilities	2,686,806	94,363	2,781,169	-
Deposits/refunds payable	4,161,652	305,191	4,466,843	-
Due to other governments	143,106	439,635	582,741	-
Due to primary government	-	-	-	709
Deferred revenue	-	35,613	35,613	-
Total current liabilities	10,396,889	17,319,124	27,716,013	96,165
Noncurrent liabilities:				
Claims payable	6,295,479	-	6,295,479	-
Other liabilities	91,063	-	91,063	46,991
Long-term debt:				
Due within one year (Note 4)	3,928,724	2,615,574	6,544,298	19,959
Due in more than one year (Note 4)	30,184,944	69,709,444	99,894,388	203,466
Total noncurrent liabilities	40,500,210	72,325,018	112,825,228	270,416
Total liabilities	50,897,099	89,644,142	140,541,241	366,581
Net Assets				
Invested in capital assets, net of related debt	100,547,204	102,117,776	202,664,980	-
Restricted for:				
Capital projects	3,766,829	36,298,387	40,065,216	-
Debt service	514,528	2,118,763	2,633,291	-
Projects, roads and other	5,970,707	-	5,970,707	-
Unrestricted	72,982,717	18,414,591	91,397,308	3,825,613
Total net assets	\$ 183,781,985	\$ 158,949,517	\$ 342,731,502	\$ 3,825,613

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 21,122,681	\$ 3,205,671	\$ 181,062	\$ 1,050,737
Public safety	50,323,782	6,990,454	725,990	70,799
Public works	15,991,362	1,808,400	6,721,776	1,573,467
Health and welfare	960,649	181,967	5,000	-
Recreation and culture	20,302,546	6,480,262	614,801	33,429
Community improvement	3,496,589	30,093	1,280,114	1,407,756
Interest on long-term debt	1,319,681	-	-	-
Total governmental activities	<u>113,517,290</u>	<u>18,696,847</u>	<u>9,528,743</u>	<u>4,136,188</u>
Business-type activities:				
Housing	3,064,323	3,169,921	-	12,000
Golf Course	1,601,870	1,347,301	-	-
Parking	473,676	745,981	-	696,158
Sewer	17,921,160	19,537,082	-	8,999,126
Water	11,122,419	11,056,895	-	-
Total business-type activities	<u>34,183,448</u>	<u>35,857,180</u>	<u>-</u>	<u>9,707,284</u>
Total primary government	<u>\$ 147,700,738</u>	<u>\$ 54,554,027</u>	<u>\$ 9,528,743</u>	<u>\$ 13,843,472</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 904,859	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	620,506	-	-	-
Brownfield Redevelopment Authority	140,597	-	-	-
Economic Development Corporation	57,315	-	-	-
Total component units	<u>\$ 1,723,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property Taxes				
Intergovernmental revenues				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues, special items and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The notes to the financial statements are an integral part of this statement.

Government Wide Statement of Activities

Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (16,685,211)	\$ -	\$ (16,685,211)	\$ -
(42,536,539)	-	(42,536,539)	-
(5,887,719)	-	(5,887,719)	-
(773,682)	-	(773,682)	-
(13,174,054)	-	(13,174,054)	-
(778,626)	-	(778,626)	-
(1,319,681)	-	(1,319,681)	-
(81,155,512)	-	(81,155,512)	-
-	117,598	117,598	-
-	(254,569)	(254,569)	-
-	968,463	968,463	-
-	10,615,048	10,615,048	-
-	(65,524)	(65,524)	-
-	11,381,016	11,381,016	-
(81,155,512)	11,381,016	(69,774,496)	-
-	-	-	(904,859)
-	-	-	(620,506)
-	-	-	(140,597)
-	-	-	(57,315)
-	-	-	(1,723,277)
71,536,045	-	71,536,045	1,195,008
10,225,375	73,862	10,299,237	
2,109,219	1,316,732	3,425,951	87,665
164,447	143,783	308,230	24,970
(710,439)	710,439	-	-
83,324,647	2,244,816	85,569,463	1,307,643
2,169,135	13,625,832	15,794,967	(415,634)
181,612,850	145,323,685	326,936,535	4,241,247
\$ 183,781,985	\$ 158,949,517	\$ 342,731,502	\$ 3,825,613

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2005

	General	Capital Projects	Other Governmental Funds (See page 91)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,234,583	\$ 552,748	\$ 1,574,098	\$ 4,361,429
Investments, short-term	28,377,844	8,860,973	12,848,796	50,087,613
Accounts Receivable (Net)	1,588,953	2,510	80,993	1,672,456
Property taxes receivable	703,497	-	21,773	725,270
Interest and penalties on taxes	194,964	-	-	194,964
Accrued interest receivable	319,085	87,713	121,302	528,100
Special assessments receivable	48,982	-	-	48,982
Due from other funds (Note 5)	883,788	115,480	237,890	1,237,158
Due from other governments	4,328,070	-	1,614,290	5,942,360
Prepaid items	1,006,786	-	9,875	1,016,661
Inventories	2,494	4,252,160	2,363	4,257,017
Advance to other funds (Note 5)	965,798	-	-	965,798
Restricted cash and investments - Construction	-	1,705	-	1,705
Investments, long-term	12,664,313	2,429,208	2,570,637	17,664,158
Total assets	<u>\$ 53,319,157</u>	<u>\$ 16,302,497</u>	<u>\$ 19,082,017</u>	<u>\$ 88,703,671</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,905,930	\$ 215,082	\$ 878,298	\$ 2,999,310
Accrued liabilities	2,729,304	-	58,351	2,787,655
Deposits/refunds payable	3,805,580	-	356,072	4,161,652
Due to other governments	153	-	340	493
Due to other funds	1,105,443	14,261	806,046	1,925,750
Debt obligations	-	-	91,063	91,063
Deferred revenue	1,180,895	-	107,389	1,288,284
Claims payable	-	-	30,992	30,992
Advance from other funds	-	615,131	-	615,131
Total liabilities	<u>10,727,305</u>	<u>844,474</u>	<u>2,328,551</u>	<u>13,900,330</u>
Fund balances:				
Reserve for prepaid items	1,006,786	-	9,875	1,016,661
Reserve for encumbrances	1,005,329	3,293,052	5,960,832	10,259,213
Reserve for debt service	-	-	514,528	514,528
Reserve for budgeted appropriations	5,455,578	7,912,811	9,264,985	22,633,374
Reserve for inventory	-	4,252,160	-	4,252,160
Reserve for noncurrent collection of advances to other funds	965,798	-	-	965,798
Unreserved, reported in:				
General fund	34,158,361	-	-	34,158,361
Special revenue funds	-	-	1,003,246	1,003,246
Capital projects fund	-	-	-	-
Total fund balances	<u>42,591,852</u>	<u>15,458,023</u>	<u>16,753,466</u>	<u>74,803,341</u>
Total liabilities and fund balances	<u>\$ 53,319,157</u>	<u>\$ 16,302,497</u>	<u>\$ 19,082,017</u>	<u>\$ 88,703,671</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2005

Total fund balance for governmental funds \$ 74,803,341

Amounts reported for governmental activities in the
statement of net assets are different because:

1. Capital assets used in governmental activities are not financial
resources and therefore are not reported in the
governmental funds
Cost of assets, not depreciated 7,533,389
Cost of assets, depreciated 191,762,589
Accumulated depreciation (75,631,879)
Total adjustment due to capital assets 123,664,099
 2. Some receivables are expected to be collected over several
years and are not available to pay for current year expenditures 1,288,284
 3. Other assets used in governmental activities are financial
resources and therefore are not reported in the governmental
funds - inventory 27,492
 4. Long-term liabilities are not due and payable in the current period
and therefore are not reported in the governmental funds
Accrued interest payable (127,472)
Noncurrent liabilities, due in one year (3,315,000)
Noncurrent liabilities, due in more than one year (29,147,579)
Total adjustment due to long-term liabilities (32,590,051)
 5. Internal service funds are included as part of governmental activities 16,588,820
- Net assets of governmental activities \$ 183,781,985

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2005

	General	Capital Projects	Other Governmental Funds (See page 93)	Total Governmental Funds
Revenues				
Taxes, assessments and penalties on taxes	\$ 69,315,566	\$ -	\$ 2,321,280	\$ 71,636,846
Licenses and permits	2,484,862	-	-	2,484,862
Intergovernmental revenues:				
State sources	10,721,158	5,115	6,830,502	17,556,775
Federal sources	665,867	106,591	3,513,809	4,286,267
Other sources	174,776	-	-	174,776
Charges for services	9,189,903	-	415,749	9,605,652
Fines and forfeits	2,876,334	-	739,413	3,615,747
Rents and royalties	3,438,815	-	1,627,552	5,066,367
Miscellaneous revenue	1,500,900	166,539	403,392	2,070,831
Private source contributions	-	294,084	259,337	553,421
Investment income	1,491,401	250,777	366,783	2,108,961
Total revenues	<u>101,859,582</u>	<u>823,106</u>	<u>16,477,817</u>	<u>119,160,505</u>
Expenditures				
General government	17,754,753	-	47,444	17,802,197
Public safety	46,980,502	-	467,767	47,448,269
Public works	10,924,794	-	7,815,723	18,740,517
Health and welfare	948,726	-	2,658	951,384
Recreation and culture	14,289,083	-	2,336,290	16,625,373
Community improvement	554,649	-	1,302,180	1,856,829
Utilities	3,797,494	-	262,865	4,060,359
Capital outlay	1,154,577	6,366,208	852,655	8,373,440
Debt service:				
Principal	-	500,000	2,130,000	2,630,000
Interest and fiscal charges	-	291,795	1,056,028	1,347,823
Total expenditures	<u>96,404,578</u>	<u>7,158,003</u>	<u>16,273,610</u>	<u>119,836,191</u>
Revenues Over (Under) Expenditures	5,455,004	(6,334,897)	204,207	(675,686)
Other Financing Sources (Uses)				
Transfers in	150,566	3,732,747	4,117,000	8,000,313
Transfers out	(6,257,686)	-	(3,517,911)	(9,775,597)
Total other financing sources (uses)	<u>(6,107,120)</u>	<u>3,732,747</u>	<u>599,089</u>	<u>(1,775,284)</u>
Net Change in Fund Balances	(652,116)	(2,602,150)	803,296	(2,450,970)
Fund Balances - Beginning of Year	<u>43,243,968</u>	<u>18,060,173</u>	<u>15,950,170</u>	<u>77,254,311</u>
Fund Balances - End of Year	<u>\$ 42,591,852</u>	<u>\$ 15,458,023</u>	<u>\$ 16,753,466</u>	<u>\$ 74,803,341</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

Net change in fund balance - Total Governmental Funds \$ (2,450,970)

Amounts reported for governmental activities in the statement
of activities are different because:

1. Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives
and recorded as depreciation expense. This is the amount
by which capital outlay exceeded depreciation expense. 1,572,237
 2. Revenues are recorded in the statement of activities when
the revenue is earned; they are not reported in the funds until
collected or collectable within 60 days of the year end (243,162)
 3. Governmental funds report inventories as expenditures when
purchased; however in the statement of activities, the cost
of those assets is expensed when used (29,533)
 4. Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets:
Bonds payable 2,630,000
Interest payable 28,142
 5. Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore are
not reported as expenditures in governmental funds:
Compensated absences 115,416
 6. Internal service funds are included as part of governmental activities 547,005
- Change in net assets of governmental activities \$ 2,169,135

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 106)
Assets				
Current assets:				
Cash and cash equivalents	\$ 73,127	\$ 437,196	\$ 234,743	\$ 345,171
Investments	1,165,696	4,748,615	4,788,546	5,559,313
Accounts Receivable (Net)	309,712	99,780	6,484,903	3,019
Unbilled accounts receivable	-	1,252,442	743,026	-
Accrued interest receivable	18,163	182,226	37,200	55,013
Due from other governments	-	5,622,110	313,118	38,088
Due from other funds	45,031	3,800,587	-	-
Prepaid items	-	13,933	48,053	87,929
Inventories	-	-	356,020	64,329
Total current assets	<u>1,611,729</u>	<u>16,156,889</u>	<u>13,005,609</u>	<u>6,152,862</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	1,902,804	34,395,584	-	-
Debt service	41,921	1,930,742	-	146,100
Investments, long-term	286,027	1,921,241	-	1,453,466
Capital assets (Net)	<u>18,046,521</u>	<u>103,200,190</u>	<u>44,152,237</u>	<u>9,155,423</u>
Total noncurrent assets	<u>20,277,273</u>	<u>141,447,757</u>	<u>44,152,237</u>	<u>10,754,989</u>
Total assets	<u>21,889,002</u>	<u>157,604,646</u>	<u>57,157,846</u>	<u>16,907,851</u>
Liabilities				
Current liabilities:				
Accounts payable	370,585	12,760,316	2,676,884	80,179
Accrued interest payable	41,921	491,671	-	22,766
Accrued liabilities	1,658	9,657	43,578	39,470
Deposits/refunds payable	-	-	13,833	291,358
Due to other governments	-	434,056	-	5,579
Due to other funds	148,427	1,200,000	3,266,592	-
Deferred revenue	-	-	-	35,613
Current portion of long-term debt	-	<u>2,420,000</u>	-	<u>185,000</u>
Total current liabilities	<u>562,591</u>	<u>17,315,700</u>	<u>6,000,887</u>	<u>659,965</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	12,076,252	54,926,576	-	2,478,100
Other liabilities	-	15,668	119,232	104,190
Advance from other funds	-	-	-	350,667
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>12,076,252</u>	<u>54,942,244</u>	<u>119,232</u>	<u>2,932,957</u>
Total liabilities	<u>12,638,843</u>	<u>72,257,944</u>	<u>6,120,119</u>	<u>3,592,922</u>
Net Assets				
Invested in capital assets, net of debt	5,970,269	45,853,614	44,152,237	6,141,656
Restricted for:				
Construction	1,902,804	34,395,583	-	-
Debt service	41,921	1,930,742	-	146,100
Unrestricted	<u>1,335,165</u>	<u>3,166,763</u>	<u>6,885,490</u>	<u>7,027,173</u>
Total net assets	<u>\$ 9,250,159</u>	<u>\$ 85,346,702</u>	<u>\$ 51,037,727</u>	<u>\$ 13,314,929</u>

The notes to the financial statements are an integral part of these statements.

Statement of Net Assets
Proprietary Funds
June 30, 2005

<u> </u>	Governmental Activities - Internal Service Funds
<u> Total </u>	<u>(See page 110)</u>
\$ 1,090,237	\$ 1,884,935
16,262,170	11,642,230
6,897,414	9,811
1,995,468	-
292,602	107,355
5,973,316	-
3,845,618	2,042,323
149,915	1,080,952
<u>420,349</u>	<u>198,670</u>
<u>36,927,089</u>	<u>16,966,276</u>
36,298,388	428,216
2,118,763	45,561
3,660,734	1,764,041
<u>174,554,371</u>	<u>6,204,939</u>
<u>216,632,256</u>	<u>8,442,757</u>
<u>253,559,345</u>	<u>25,409,033</u>
15,887,964	274,582
556,358	3,895
94,363	12,875
305,191	-
439,635	142,613
4,615,019	584,396
35,613	-
<u>2,605,000</u>	<u>500,000</u>
<u>24,539,143</u>	<u>1,518,361</u>
69,480,928	1,000,000
239,090	37,365
350,667	-
-	6,264,487
<u>70,070,685</u>	<u>7,301,852</u>
<u>94,609,828</u>	<u>8,820,213</u>
102,117,776	6,000,495
36,298,387	-
2,118,763	473,777
<u>18,414,591</u>	<u>10,114,548</u>
<u>\$ 158,949,517</u>	<u>\$ 16,588,820</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 107)
Operating Revenues				
Intergovernment revenue - State	\$ -	\$ 73,862	\$ -	\$ -
Sales	-	15,702,765	6,185,653	599,338
Charges for services	516,396	3,830,070	4,117,270	1,312,740
Fines	220,838	-	-	-
Penalties	8,747	-	753,972	-
Rents and royalties	-	4,247	-	2,605,144
Insurance premiums	-	-	-	-
Miscellaneous	-	15,793	4,606	123,384
Total operating revenues	<u>745,981</u>	<u>19,626,737</u>	<u>11,061,501</u>	<u>4,640,606</u>
Operating Expenses				
Personnel services	186,385	923,577	2,861,612	2,127,326
Contractual services	163,798	1,787,058	965,517	298,299
Insurance and bonds	-	6,500	8,000	133,485
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	49,637	205,292	4,921	525,849
Repairs and maintenance	12,336	309,685	20,841	359,021
Supplies	15,950	75,238	462,406	144,714
Cost of sales	-	11,404,514	5,722,492	166,627
Cost of rentals	-	3,921	-	40,681
Taxes	-	-	-	101,997
Depreciation	43,915	804,060	1,040,153	537,167
Other	1,655	1,213,909	36,477	73,964
Total operating expenses	<u>473,676</u>	<u>16,733,754</u>	<u>11,122,419</u>	<u>4,509,130</u>
Operating Income (Loss)	272,305	2,892,983	(60,918)	131,476
Nonoperating Revenues (Expenses)				
Investment income	54,659	843,708	229,965	163,341
Gain/loss on disposal of assets	31,059	-	(6,000)	-
Other interest	-	(1,187,406)	-	(157,063)
Other expense	-	-	-	-
Total nonoperating revenues (expenses)	<u>85,718</u>	<u>(343,698)</u>	<u>223,965</u>	<u>6,278</u>
Income (Loss) before Capital Contributions & Transfers	358,023	2,549,285	163,047	137,754
Capital contributed from grants, developers & other	<u>696,158</u>	<u>8,999,126</u>	<u>-</u>	<u>12,000</u>
Income (Loss) before Transfers	1,054,181	11,548,411	163,047	149,754
Transfers				
Transfers in	15,000	163,194	549,874	-
Transfers out	-	(9,651)	(7,978)	-
Net transfers	<u>15,000</u>	<u>153,543</u>	<u>541,896</u>	<u>-</u>
Net Income (Loss)	1,069,181	11,701,954	704,943	149,754
Net Assets - Beginning of Year	8,180,978	73,644,748	50,332,784	13,165,175
Net Assets - End of Year	<u>\$ 9,250,159</u>	<u>\$85,346,702</u>	<u>\$ 51,037,727</u>	<u>\$ 13,314,929</u>

The notes to the financial statements are an integral part of these statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2005

Total	Governmental Activities - Internal Service Funds (See page 111)
\$ 73,862	\$ -
22,487,756	-
9,776,476	2,759,777
220,838	-
762,719	-
2,609,391	2,223,336
-	2,494,626
143,783	1,498,100
<u>36,074,825</u>	<u>8,975,839</u>
6,098,900	-
3,214,672	1,272,515
147,985	1,124,532
-	87,372
-	2,394,190
785,699	-
701,883	-
698,308	-
17,293,633	3,534,806
44,602	-
101,997	-
2,425,295	1,332,088
1,326,005	48,174
<u>32,838,979</u>	<u>9,793,677</u>
3,235,846	(817,838)
1,291,673	345,155
25,059	-
(1,344,469)	(45,157)
-	-
<u>(27,737)</u>	<u>299,998</u>
3,208,109	(517,840)
<u>9,707,284</u>	<u>-</u>
12,915,393	(517,840)
728,068	1,064,845
<u>(17,629)</u>	<u>-</u>
<u>710,439</u>	<u>1,064,845</u>
13,625,832	547,005
145,323,685	16,041,815
<u>\$158,949,517</u>	<u>\$ 16,588,820</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Parking System Funds
Cash Flows from Operating Activities	
Receipts from customers	\$ 756,902
Payments to suppliers	(998,727)
Payments to employees	(186,385)
Internal activity	(237,381)
Claims paid	-
Other receipts (payments)	-
Net cash provided (used) by operating activities	(665,591)
Cash Flows from Noncapital Financing Activities	
Transfers in	15,000
Transfers out	-
Net cash provided (used) by noncapital financing activities	15,000
Cash Flows from Capital and Related Financing Activities	
Grants and contributions received	696,158
Principal received on debt	-
Prepaid interest on debt	-
Advance from (to) other funds	(621,000)
Principal paid on debt	-
Acquisition and construction of capital assets	(10,721,969)
Proceeds from sale of assets	107,791
Interest paid on debt	(102,867)
Net cash provided (used) by capital and related financing activities	(10,641,887)
Cash Flows from Investing Activities	
Net sale (purchase) of investments	11,037,986
Investment income	57,369
Net cash provided (used) by investing activities	11,095,355
Net Increase (Decrease) in Cash and Cash Equivalents	(197,123)
Cash and Cash Equivalents - Beginning of Year	270,250
Cash and Cash Equivalents - End of Year	\$ 73,127

The notes to the financial statements are an integral part of these statements.

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 108)	Total	Governmental Activities - Internal Service Funds (See page 113)
Sewer	Water			
\$ 14,402,603	\$ 8,950,375	\$ 4,499,287	\$ 28,609,167	\$ 7,488,580
(4,560,770)	(7,498,836)	(1,774,900)	(14,833,233)	(4,447,300)
(918,593)	(2,862,766)	(2,119,743)	(6,087,487)	(1,310,715)
(2,900,587)	3,266,592	-	128,624	(1,732,079)
-	-	-	-	(769,486)
(1,120,007)	(31,871)	49,421	(1,102,457)	1,449,926
<u>4,902,646</u>	<u>1,823,494</u>	<u>654,065</u>	<u>6,714,614</u>	<u>678,926</u>
163,194	549,874	-	728,068	1,064,845
(9,651)	(7,978)	-	(17,629)	-
<u>153,543</u>	<u>541,896</u>	<u>-</u>	<u>710,439</u>	<u>1,064,845</u>
8,999,126	-	12,000	9,707,284	-
-	-	-	-	(480,000)
-	-	-	-	(65,106)
-	-	207,279	(413,721)	-
30,623,012	-	(158,400)	30,464,612	-
(24,328,602)	(2,267,913)	(263,248)	(37,581,732)	(1,184,838)
-	-	-	107,791	-
(977,340)	-	(158,332)	(1,238,539)	-
<u>14,316,196</u>	<u>(2,267,913)</u>	<u>(360,701)</u>	<u>1,045,695</u>	<u>(1,729,944)</u>
(20,618,880)	(526,383)	(733,092)	(10,840,369)	214,018
754,101	223,547	152,178	1,187,195	325,575
<u>(19,864,779)</u>	<u>(302,836)</u>	<u>(580,914)</u>	<u>(9,653,174)</u>	<u>539,593</u>
(492,394)	(205,359)	(287,550)	(1,182,426)	553,420
929,590	440,102	632,721	2,272,663	1,331,515
<u>\$ 437,196</u>	<u>\$ 234,743</u>	<u>\$ 345,171</u>	<u>\$ 1,090,237</u>	<u>\$ 1,884,935</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	<u>Parking System Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 272,305
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	43,915
Change in assets and liabilities:	
Accounts receivable	10,921
Due from other funds	(42,458)
Due from other governments	-
Prepaid items	-
Inventories	-
Accounts payable	(757,009)
Accrued liabilities	1,658
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	(194,923)
Due to other governments	-
Claims payable	-
Deferred revenue	-
Net cash provided (used) by operating activities	<u>\$ (665,591)</u>

There was no noncash investing, capital or financing activity during the year.

The notes to the financial statements are an integral part of these statements.

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 109)		Governmental Activities - Internal Service Funds (See page 115)	
Sewer	Water		Total		
\$ 2,892,983	\$ (66,918)	\$ 131,476	\$ 3,229,846	\$	(817,838)
804,060	1,046,153	537,167	2,431,295	1,332,088	
478,149	(2,078,329)	(3,019)	(1,592,278)	(1,928)	
(3,800,587)	-	-	(3,843,045)	(1,678,878)	
(5,608,381)	(28,191)	(38,025)	(5,674,597)	-	
(400)	(5,705)	1,727	(4,378)	(50,039)	
-	(42,385)	(3,151)	(45,536)	(40,321)	
9,203,575	(290,447)	(10,925)	8,145,194	120,223	
(13,021)	23,878	7,908	20,423	4,369	
-	-	19,273	19,273	-	
4,984	(1,154)	7,583	11,413	(3,962)	
900,000	3,266,592	-	3,971,669	(53,201)	
41,284	-	215	41,499	243,708	
-	-	-	-	1,624,705	
-	-	3,836	3,836	-	
<u>\$ 4,902,646</u>	<u>\$ 1,823,494</u>	<u>\$ 654,065</u>	<u>\$ 6,714,614</u>	<u>\$</u>	<u>678,926</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

Statement of Net Assets Fiduciary Funds June 30, 2005

	Pension & Other Employee Benefits	Agency Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 313,482	\$ 2,190,585
Investments - short-term	9,036,227	2,493,027
Accounts Receivable (Net)	915,764	299,836
Accrued interest receivable	1,255,599	19,367
Due from other funds	-	67
Total current assets	<u>11,521,072</u>	<u>5,002,882</u>
Noncurrent assets - Investments:		
Corporate bonds (long-term)	180,559,354	-
Common stock	27,387,941	-
Collateral pledged on securities loaned	16,393,870	-
Real estate properties	9,702,775	-
Commingled and mutual funds	161,847,753	-
Limited partnerships	<u>2,064,296</u>	<u>-</u>
Total noncurrent assets	397,955,989	-
Total assets	<u>409,477,061</u>	<u>\$ 5,002,882</u>
Liabilities		
Accounts payable	542,839	\$ 1,136,770
Deposits/refunds payable	-	2,462,767
Due to other governments	-	1,251,181
Deferred revenue	55,715	-
Amounts due to broker under securities lending agreement	16,393,870	-
Other liabilities	<u>-</u>	<u>152,164</u>
Total liabilities	<u>16,992,424</u>	<u>\$ 5,002,882</u>
Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 392,484,637</u>	

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2005

	Pension & Other Employee Benefits
Additions	
Investment income:	
Interest and dividends	\$ 8,147,140
Net increase in value of investments	25,904,084
Net investment income	34,051,224
Contributions:	
Employer	17,025,173
Employee	1,116,795
Total contributions	18,141,968
Other income	545,748
Total additions	52,738,940
Deductions	
Benefit payments	27,422,678
Refunds of contributions	707,227
Administrative expenses	1,073,641
Total deductions	29,203,546
Change in Net Assets	23,535,394
Net Assets - Beginning of Year	368,949,243
Net Assets - End of Year	\$ 392,484,637

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and cash equivalents	\$ 66,787	\$ 101,909	\$ 89
Investments - Short-term	1,070,649	1,633,679	1,819
Property taxes receivable	3,754	17,669	-
Accrued interest receivable	10,597	16,170	14
Prepaid items	-	816	-
Investments - long-term	293,493	447,835	-
Total assets	<u>1,445,280</u>	<u>2,218,078</u>	<u>1,922</u>
Liabilities			
Accounts payable	755	1,201	93,500
Accrued liabilities	-	709	-
Other liabilities	-	-	46,991
Noncurrent liabilities:			
Due within one year	-	-	19,959
Due in more than one year	-	2,359	201,107
Total liabilities	<u>755</u>	<u>4,269</u>	<u>361,557</u>
Net Assets - Unrestricted	<u>\$ 1,444,525</u>	<u>\$ 2,213,809</u>	<u>\$ (359,635)</u>

The notes to the financial statements are an integral part of these statements.

Statement of Net Assets
Component Units
June 30, 2005

Economic Development Corporation	Total
\$ 526,021	\$ 694,806
(308)	2,705,839
-	21,423
1,201	27,982
-	816
-	741,328
<u>526,914</u>	<u>4,192,194</u>
-	95,456
-	709
-	46,991
-	19,959
-	<u>203,466</u>
-	<u>366,581</u>
<u>\$ 526,914</u>	<u>\$ 3,825,613</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and
			Contributions
West Dearborn Development Authority -			
Community improvement	\$ 904,859	\$ -	\$ -
East Dearborn Development Authority -			
Community improvement	620,506	-	-
Brownfield Redevelopment Authority -			
Community improvement	140,597	-	-
Economic Development Corporation -			
Community improvement	57,315	-	-
Total component units	<u>\$ 1,723,277</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Statement of Activities
Component Units
Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets				
West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (904,859)	\$ -	\$ -	\$ -	\$ (904,859)
-	(620,506)	-	-	(620,506)
-	-	(140,597)	-	(140,597)
-	-	-	(57,315)	(57,315)
<u>(904,859)</u>	<u>(620,506)</u>	<u>(140,597)</u>	<u>(57,315)</u>	<u>(1,723,277)</u>
603,814	591,194		-	1,195,008
31,983	44,743	-	10,939	87,665
34	2	24,934	-	24,970
<u>635,831</u>	<u>635,939</u>	<u>24,934</u>	<u>10,939</u>	<u>1,307,643</u>
(269,028)	15,433	(115,663)	(46,376)	(415,634)
<u>1,713,553</u>	<u>2,198,376</u>	<u>(243,972)</u>	<u>573,290</u>	<u>4,241,247</u>
<u>\$ 1,444,525</u>	<u>\$ 2,213,809</u>	<u>\$ (359,635)</u>	<u>\$ 526,914</u>	<u>\$ 3,825,613</u>

The notes to the financial statements are an integral part of these statements.

Note 1 – Summary of Significant Accounting Policies

The City of Dearborn, Michigan (the City) was incorporated in 1929 under Michigan law as a home rule city. The City operates under a strong mayor, weak council form of government. The most recent charter was adopted November 3, 1979 and was effective July 1, 1980.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statement of the business-type activities and enterprise funds in accordance with GASB Statement #20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Below is a summary of the City's more significant policies.

A. Reporting Entity

The City is governed by an elected seven-member Council. As required by generally accepted accounting principles, these financial statements present the City of Dearborn and its component units.

Blended Component Units

The component unit discussed below is included in the City's reporting entity because of the significance of its operating or financial relationship with the City.

City of Dearborn Municipal Building Authority

This authority was formed for purposes of constructing public facilities financed through issuance of Building Authority bonds as provided by PA 31 of 1948 and it provides services exclusively for the City of Dearborn. The Building Authority Board is appointed by the Mayor. Issuance of bonds and related lease contracts are subject to approval of the City Council (see Note 4).

Building Authority operations consist of the issuance of debt, construction or acquisition of facilities financed by such debt, and the repayment of such debt from lease proceeds. All of this is accounted for in the appropriate City funds. The financial statements of the Building Authority are consolidated with the financial statements of the City in a manner dependent on the type of facilities acquired. The City is involved in the purchase by lease contract of improvements to the Robert Herndon Dearborn Hills Municipal Golf Course, the Police/Court Building, the Ice Arena, Powerhouse and Ford Woods Park redevelopment from the Building Authority. The golf course operations are accounted for within the Enterprise Funds (Golf Course Fund). Improvements to the Police/Court building, Ice Arena, Powerhouse and Ford Woods Park redevelopment are accounted for within the General Capital Improvement Fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

Discretely Presented Units

The following component units are discretely presented in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

Brownfield Redevelopment Authority (BRA)

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other under-utilized sites within the City. The Authority's governing body consists of the Mayor and six (6) individuals appointed by the Mayor. The City Council must approve the BRA Budget.

The Economic Development Corporation of Dearborn (EDC)

The EDC's purpose is to encourage economic development, primarily through the issuance of tax-exempt financing. Although the City has no involvement in the determination of the EDC budget nor any obligation for the EDC's outstanding debt, City Council must approve designation of project areas and must approve each project plan.

East Dearborn Downtown Development Authority (EDDA)

The EDDA was formed to encourage development within the City's eastern central business district. The City has no obligation for the EDDA's outstanding debt. The City Council must approve the EDDA's budget.

West Dearborn Downtown Development Authority (WDDA)

The WDDA was formed to encourage development within the City's western central business district. The City has no obligation for the WDDA's outstanding debt. The City Council must approve the WDDA's budget.

Financial statements for the discretely presented component units are available during office hours at the City of Dearborn, Economic and Community Development Department, 13615 Michigan Avenue, Dearborn, MI 48126.

B. Basic Financial Statements

The basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, recreation and general administrative services are classified as governmental activities. The City's water and sewer services, parking systems, housing department and the municipal golf course are classified as business-type activities.

Note 1 – Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

Government-wide Financial Statements

The City does not allocate indirect costs. An administrative fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, human resources, purchasing, legal, management information systems, etc.). The effect of this fee and all other internal activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Basic Financial Statements—Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Projects Fund – The City has one capital project fund which is a major fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and service. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized a nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 – Summary of Significant Accounting Policies (Continued)

The following is a description of the proprietary funds of the City:

Enterprise Funds – Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The government reports the following major enterprise funds:

Parking Systems Funds – These funds account for construction and operation of two separate parking systems.

Water Fund – This fund accounts for operation of the City's water supply system. Purified water is purchased from the Detroit Water and Sewage Department.

Sewer Fund – This fund accounts for operation of the City's sewerage system. Sewage treatment is purchased from the Detroit Water and Sewage Department.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Internal Service Funds include equipment replacement, central garage, workers' compensation, employee insurance and fleet and general liability insurance.

Fiduciary Funds

Fiduciary Funds are used to report assets held in an agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. Fiduciary Pension Funds include the (closed) general employees retirement system, the (open) revised police and fire retirement system, the (closed) police and fire retirement system, retiree death benefit and post retirement healthcare. The Fiduciary Agency Funds include agency, imprest payroll and district court.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (public safety, public works, etc.).

Note 1 – Summary of Significant Accounting Policies (Continued)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and other employee benefits and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days of the next fiscal year). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. The taxes are due in four equal installments due August 20th and every two months thereafter with the final installment due February 20th. They become delinquent if unpaid by March 1. Real property taxes are returned to the Wayne County Treasurer for collection. The City Treasurer is responsible for the collection of personal property taxes.

Note 1 – Summary of Significant Accounting Policies (Continued)

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgetary Accounting and Accountability

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

Appropriations in the General Fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund is presented as Required Supplementary Information.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

The negative unreserved fund balance in the community development fund is a result of open encumbrances. Grant revenues will be recognized in future periods when these encumbrances are expended.

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts

Cash and Investments

Investments are reported at fair value, based on quoted market prices. Investments and certificates of deposit are purchased with pooled cash and are generally held to maturity. Cash is pooled in two pools based on investment requirements, one for long term and one for short term. Interest is allocated on the basis of time-and-dollar-weighted participation in each pool.

The purchase and sale of proprietary fund investments have been netted for cash flow purposes as the nature of the investments is highly liquid because there is an active market readily available.

Accounts Receivable

The unbilled accounts receivable in the Enterprise Funds were for unbilled consumption of water and sewer as of June 30, 2005.

The amount in the allowance for uncollectibles in the General Fund at June 30, 2005 is \$180,000 and represents potentially uncollectible ambulance billings. Most city service billings, if not paid, are assessed as a lien against the serviced property.

Inventories

Inventories are recorded at the lower of cost or market, cost being the weighted average method with the exception of the following: (1) Enterprise Funds' inventories, which are recorded on the first-in, first-out basis; and (2) Capital Projects Fund inventories, which are recorded at actual cost.

Restricted Assets

The revenue bonds of the Enterprise and Internal Service Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, equipment purchases and a bond reserve. Also, the unspent bond proceeds of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more and a useful life of greater than one year are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all qualifying assets is provided on the straight-line basis over the assets' estimated useful lives over the following useful lives:

• Equipment	5-15 years
• Land improvements	15 years
• Infrastructure assets (Roads, bridges and sidewalks)	15-40 years
• Buildings and improvements	25-50 years
• Water system	75 years
• Sewer system	75 years

The City has a collection of art work presented for public exhibition and education that is being preserved for future generations. The collection is not capitalized or depreciated as part of capital assets.

Prepays

Prepays are payments made in the current fiscal year for services in the next fiscal year. The July medical and dental premium payments were made in June.

Deferred Revenue

Deferred revenue represents monies that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts are also reported as deferred revenue until they are available to liquidate liabilities of the current period.

Compensated Absences

The City accrues vested or accumulated sick and vacation leave when earned by the employee. The non-current portion (that is the amount not expected to be liquidated with expendable available financial resources) for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property Taxes

The City property tax is levied each July 1 on the taxable value of property located in the City as of the preceding December 31; taxes become a lien on December 1. Taxable valuations are established annually by the City Assessor and are based on assessed valuations (established at 50 percent of true cash value), with the annual growth of each property's taxable value limited by inflation. Real and personal property in the City subject to the 2004 levy that financed operations for the fiscal year ended June 30, 2005 had a taxable value of \$4,194,960,120. The City millage for the fiscal year ended June 30, 2005 was 15.27 mills, consisting of 13.59 mills operating, 1.16 mills for garbage and rubbish and .52 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 of 1917, as amended, to levy up to 18.00 mills for fiscal year ended June 30, 2005 before rollbacks required by Michigan law. The maximum potential millage for the fiscal year ended June 30, 2005 was 16.8929 mills after applicable rollbacks.

Taxes are payable without penalty in four equal installments due August 20, and every two months thereafter with the final installment due February 20. They become delinquent if unpaid by March 1. Real property taxes are returned to the Wayne County Treasurer for collection. The City Treasurer is responsible for collection of personal property taxes. The amounts of delinquent real property taxes become available to finance expenditures through operation of a County Tax Revolving Fund. Ordinarily, the City receives proceeds from the revolving fund within 60 days of fiscal year end. Delinquent personal property taxes and associated penalties not collected within 60 days of fiscal year end are recorded as deferred revenue.

Unrestricted Franchise Fees

Unrestricted franchise fees represent revenues generated from parties outside the City's citizenry (primarily the cable and cellular system operators) that are not restricted to any specific program.

Expenditures

Expenditures in governmental funds are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 –Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools of financial institutions. The City does not engage in reverse repurchase agreements or in repurchase agreements without a master repurchase agreement and delivery of collateral to a third-party custodian.

The pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

State statutes and the System's board policies permit the System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's securities custodians are agents in lending the plans' securities for cash collateral of at least 100 percent of market value of the loaned securities. Securities on loan at year end are presented as non-categorized in the balance sheet presentation of custodial credit risk. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

Note 2 –Deposits and Investments (Continued)

The City has designated two banks for the deposit of funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 authorized all investments permitted by PA 20. The City of Dearborn, Michigan's deposit and investment policies are in accordance with statutory authorities.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$79,596,781 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, \$2,940,453 of Ford Motor Credit commercial paper was uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy minimizes interest rate risk by structuring the portfolio to meet requirement and by investing funds in shorter-term securities, money market mutual funds or similar investment pools. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The weighted average maturity is based on maturity date or contracted modified maturity date as applicable. At year end, the average maturities of investments are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Federal Agency/Instrumentality	\$22,056,214	0.91 years
U.S. Government Obligations	6,906,857	3.25 years
Commercial Paper	13,462,557	0.15 years

Note 2 –Deposits and Investments (Continued)

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$41,707,203	11.42 years
Federal Agency/Instrumentality	64,155,386	13.83 years
Private Placements	1,689,358	2.56 years
U.S. Government Obligations	18,329,440	13.76 years
Securities Lending Short-term Collateral Investment Pool	16,393,870	0.44 years
Commercial Paper	1,843,646	0.02 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. Financial institutions, broker/dealers, intermediaries and advisers need to be pre-qualified to do business with the City. The policy also states that the investment portfolio will be diversified to minimize potential losses on individual securities. At year end, the City owned commercial paper rated P3 that was purchased with a rating of P2. The paper will be held to maturity and the City will not invest in this security until the rating has improved. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$29,394,797	A-1	S & P
Commercial Paper	8,531,744	A1+	S & P
Commercial Paper	1,990,360	A1	S & P
Commercial Paper	2,940,453	P3	Moody's
Federal Agency/Instrumentality	15,732,353	AAA	S & P
Federal Agency/Instrumentality	6,323,861	N/R	

Note 2 –Deposits and Investments (Continued)

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$2,070,595	A-1	S & P
Securities Lending Short-term Collateral Investment Pool	16,393,870	N/R	
Commercial Paper	1,843,646	A1+	S & P
Corporate Bonds	9,732,623	AAA	S & P
Corporate Bonds	3,192,134	AA+	S & P
Corporate Bonds	1,243,419	AA	S & P
Corporate Bonds	3,732,957	AA-	S & P
Corporate Bonds	6,192,710	A+	S & P
Corporate Bonds	3,390,559	A	S & P
Corporate Bonds	4,420,579	A-	S & P
Corporate Bonds	3,587,510	BBB+	S & P
Corporate Bonds	2,280,200	BBB	S & P
Corporate Bonds	1,027,872	BBB-	S & P
Corporate Bonds	2,906,641	N/R	
Private placements	1,689,358	N/R	
Federal Agency/Instrumentality	18,450,814	AAA	S & P
Federal Agency/Instrumentality	1,113,635	AA-	S & P
Federal Agency/Instrumentality	44,590,937	N/R	

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. At June 30, 2005, the City had more than 5% of its investments in the following:

Governmental Funds

Federal Home Loan Mortgage	23.27%
Federal National Mortgage	17.52%
General Electric Commercial Paper	14.29%
Ford Motor Credit Commercial Paper	5.28%

Business-Type Funds

Federal Home Loan Mortgage	5.85%
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Note 2 –Deposits and Investments (Continued)

General Fund

Federal Home Loan Banks	5.09%
Federal Home Loan Mortgage	24.63%
Federal National Mortgage	19.50%
General Electric Commercial Paper	12.38%

Capital Projects Funds

Federal Home Loan Mortgage	25.00%
Federal National Mortgage	18.44%
General Electric Commercial Paper	16.49%
Ford Motor Credit Commercial Paper	6.09%

Parking System Funds

Federal Home Loan Mortgage	5.88%
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Water Fund

Federal Home Loan Mortgage	26.03%
Federal National Mortgage	13.10%
General Electric Commercial Paper	34.83%
Ford Motor Credit Commercial Paper	12.87%

Aggregate Funds

Federal Home Loan Mortgage	21.33%
Federal National Mortgage	14.88%
General Electric Commercial Paper	16.51%
Ford Motor Credit Commercial Paper	6.10%

Fiduciary Funds

Federal Home Loan Mortgage	6.11%
Federal National Mortgage	8.07%

Note 2 –Deposits and Investments (Continued)

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$2,208,125. No investment securities were held by the counterparty (or the counterparty's trust department), but not in the component unit's name. Federal Agency/Instrumentalities totaling \$666,484 and U.S. Government Obligations totaling \$741,328 had a weighted average maturity in years of 0.28 and 1.92 respectively. The component units' securities included \$666,484 of Federal Agency/Instrumentalities with a credit rating of AAA as rated by Standard & Poors and \$526,036 of bank investment pool with a rating of A-1 by Standard & Poors. The Federal Home Loan Mortgage discount notes created a concentration of credit risk of 34.46%.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 4,336,569	\$ 54,888	\$ (193)	\$ 4,391,264
Right of ways	37,818	-	-	37,818
Construction in progress	1,075,651	3,036,898	(1,008,242)	3,104,307
Total capital assets not being depreciated	5,450,038	3,091,786	(1,008,435)	7,533,389
Other capital assets:				
Buildings & improvements	110,041,464	1,225,657	-	111,267,121
Equipment	30,368,972	2,207,373	(1,606,725)	30,969,620
Infrastructure assets	51,427,539	4,303,248	-	55,730,787
Subtotal	191,837,975	7,736,278	(1,606,725)	197,967,528
Accumulated depreciation:				
Buildings & improvements	31,474,785	2,552,899	-	34,027,684
Equipment	19,577,865	2,586,539	(173,335)	21,991,069
Infrastructure assets	17,791,312	1,821,814	-	19,613,126
Subtotal	68,843,962	6,961,252	(173,335)	75,631,879
Net other capital assets	122,994,013	775,026	(1,433,390)	122,335,649
Net capital assets	\$ 128,444,051	\$ 3,866,812	\$ (2,441,825)	\$ 129,869,038

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 770,057
Public safety	1,272,528
Public works	2,678,604
Health & welfare	13,120
Recreation & culture	2,225,249
Community improvement	<u>1,694</u>
Total governmental activities depreciation expense	<u>\$ 6,961,252</u>

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 4,528,085	\$ 690,820	\$ (76,732)	\$ 5,142,173
Construction in progress	59,206,707	36,442,821	(43,815)	95,605,713
Total capital assets not being depreciated	<u>63,734,792</u>	<u>37,133,641</u>	<u>(120,547)</u>	<u>100,747,886</u>
Other capital assets:				
Land improvements	4,946,637	131,922	-	5,078,559
Buildings	16,936,423	-	-	16,936,423
Equipment	2,974,555	359,985	(73,724)	3,260,816
Water system	69,589,561	-	-	69,589,561
Sewer system	50,146,169	-	-	50,146,169
Subtotal	<u>144,593,345</u>	<u>491,907</u>	<u>(73,724)</u>	<u>145,011,528</u>
Accumulated depreciation:				
Land improvements	2,395,125	244,161	-	2,639,286
Buildings	8,418,225	374,386	-	8,792,611
Equipment	1,723,610	327,946	(67,723)	1,983,833
Water system	33,501,568	885,705	-	34,387,273
Sewer system	22,808,943	593,097	-	23,402,040
Subtotal	<u>68,847,471</u>	<u>2,425,295</u>	<u>(67,723)</u>	<u>71,205,043</u>
Net other capital assets	<u>75,745,874</u>	<u>(1,933,388)</u>	<u>(6,001)</u>	<u>73,806,485</u>
Net capital assets	<u>\$ 139,480,666</u>	<u>\$ 35,200,253</u>	<u>\$ (126,548)</u>	<u>\$ 174,554,371</u>

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Business-type activities:

Parking System	\$ 43,915
Housing	272,829
Golf Course	264,338
Sewer	804,060
Water	<u>1,040,153</u>
Total business-type activities depreciation expense	<u><u>\$ 2,425,295</u></u>

Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2005:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
Municipal Building Authority General Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 18, 1998	\$ 5,823,855	\$ -
Civic Center Facility General Obligation Unlimited Tax Bonds, 4.2% to 6.2%, dated June 11, 1998	15,050,000	
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	8,116,063	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004	1,500,000	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		11,154,907
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		921,344
Sewage Disposal System Revenue Bonds, 2%, dated February 9, 1990		1,340,000
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		1,240,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		16,778,267
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		70,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		5,525,000
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 3.0% to 5.0%, dated October 1, 2004		24,210,275
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		8,183,034
Municipal Building Authority General Obligation Limited Tax Bonds, Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 18, 1998 (less \$196,305 for deferred charge on refunding)		2,663,100
Subtotal	30,489,918	72,085,927
Accumulated sick and vacation benefits	3,623,750	239,091
Total	\$ 34,113,668	\$ 72,325,018

Note 4 – Long-term Debt (Continued)

By statute, the City's general obligation debt is restricted to 10 percent of the equalized value of all property in the City. At June 30, 2005 the City's general obligation debt margin amounted to approximately \$407,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2005:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 33,611,717	\$ -	\$ (3,121,799)	\$ 30,489,918	\$ 3,265,000
Other liabilities - Compensated absences	3,691,049	470,292	(537,591)	3,623,750	663,724
Total governmental activities	<u>\$ 37,302,766</u>	<u>\$ 470,292</u>	<u>\$ (3,659,390)</u>	<u>\$ 34,113,668</u>	<u>\$ 3,928,724</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 14,889,626	\$ 32,683,034	\$ (440,000)	\$ 47,132,660	\$ 685,000
Revenue bonds	26,723,565	-	(1,770,298)	24,953,267	1,920,000
Subtotal	41,613,191	32,683,034	(2,210,298)	72,085,927	2,605,000
Other liabilities - Compensated absences	227,677	12,568	(1,154)	239,091	10,574
Total business-type activities	<u>\$ 41,840,868</u>	<u>\$ 32,695,602</u>	<u>\$ (2,211,452)</u>	<u>\$ 72,325,018</u>	<u>\$ 2,615,574</u>

Compensated absences have historically been liquidated through the fund associated with the employees' function.

Note 4 – Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2005 (excluding sick and vacation benefits), including both principal and interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 3,271,972	\$ 1,284,083	\$ 2,550,126	\$ 2,600,159
2007	3,417,156	1,162,745	3,375,026	2,536,282
2008	3,542,364	1,026,220	5,959,926	2,443,869
2009	3,162,573	881,695	6,074,825	2,289,190
2010	3,287,780	746,050	6,209,725	2,130,697
2011-2015	12,999,794	1,514,920	19,339,758	8,412,376
2016-2020	808,279	32,000	11,836,062	4,952,251
2021-2025	-	-	5,498,265	3,326,851
2026-2030	-	-	5,623,265	2,167,656
2031-2035	-	-	5,618,949	695,975
Total	<u>\$ 30,489,918</u>	<u>\$ 6,647,713</u>	<u>\$ 72,085,927</u>	<u>\$ 31,555,306</u>

Description of Long-term Debt

Primary Government

On March 18, 1998, the City of Dearborn Municipal Building Authority issued \$11,975,000 of General Obligation Limited Tax Bonds. These 18-year bonds have interest rates that range from 3.65 percent to 5.25 percent. The City is obligated to pay interest commencing November 1, 1998 and semiannually thereafter. The first principal payment was due November 1, 1998 and will continue to be due annually November 1 through 2016. A total of \$8,500,000 of the bond proceeds was used to finance the cost of expansion and renovation of Adray Ice Arena, Ford Woods Park and the Cultural Center HVAC Powerhouse. The remaining \$3,475,000 is being used to refund \$3,140,000 of the \$3,653,100 outstanding City of Dearborn Municipal Building Authority Golf Course Limited Tax General Obligation Bonds. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Golf Course Limited Tax General Obligation Bonds. As a result, at June 30, 2004, \$2,850,000 of bonds are considered to be defeased and the liability for the bonds have been removed from the Enterprise Funds balance sheet.

On June 11, 1998, the City of Dearborn issued \$23,860,000 of General Obligation Unlimited Tax Bonds to finance the expansion and renovation of the Civic Center. These 15-year bonds have interest rates that range from 4.2 percent to 6.2 percent. The City is obligated to pay interest commencing December 1, 1998 and semiannually thereafter. The first principal payment was due June 1, 1999 and will continue to be due annually June 1 through 2013.

Note 4 – Long-term Debt (Continued)

On November 15, 1995, the City of Dearborn Municipal Building Authority issued \$12,000,000 of General Obligation Limited Tax Bonds to finance the cost of expansion and renovation of the police station and court facility. These 20-year bonds have interest rates that range from 5.0 percent to 7.0 percent. The City is obligated to pay interest commencing June 1, 1996 and semiannually thereafter. The first principal payment was due June 1, 1997 and will continue to be due annually June 1 through 2016.

On April 23, 2004 the City of Dearborn issued \$8,630,000 in general obligation limited tax bonds with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to advance refund \$8,475,000 of outstanding Municipal Building Authority general obligation unlimited tax bonds. The net proceeds of \$8,766,702 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Treasury Securities. Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on June 1, 2004. The advance refunding reduces total debt service payments over the next 12 years by approximately \$512,500 which represents an economic gain of approximately \$435,000.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) for the purpose of paying for the cost of acquiring, constructing, installing and equipping certain capital and technology improvements. \$11,260,000 of the Series A (non-taxable) as well as all \$930,000 of the Series B (taxable) bonds will be used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds will be used for technology upgrades to various City facilities. These 15-year bonds have interest rates that range from 2.75% to 4.55% for the non taxable and 5.9% to 6.00% for the taxable bonds. The City is obligated to pay interest commencing December 1, 2004 and semiannually thereafter. The first principal payment is due on June 1, 2005 and will continue through June 2019.

On February 9, 1990, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue and the Michigan Municipal Bond Authority would purchase, up to \$4,015,000 in principal of Sewage Disposal System Revenue Bonds, Series 1990 (General Obligation Limited Tax) for the construction of the Greenfield Road Sewage Pumping Station. The City is obligated to pay interest at 2 percent per annum commencing October 1, 1990 and semiannually thereafter. The first principal payment was due October 1, 1991 and will continue to be due October 1 through 2010.

On September 29, 1994, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$2,080,000 in principal of Sewage Disposal System Revenue Bonds, Series 1994 (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2 percent per annum commencing April 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016.

Note 4 – Long-term Debt (Continued)

On June 22, 1995, the City of Dearborn issued \$26,750,000 of Sewage Disposal System Revenue Bonds, Series 1995A to finance the City's portion of costs for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel project. These 20-year bonds have interest rates that range from 5.125 percent to 7.0 percent. The City is obligated to pay interest commencing October 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016. Principal and interest are payable from the net revenues of the system.

On February 17, 2004 the City of Dearborn issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to refund \$18,270,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1995A. The proceeds were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on April 1, 2004. The advance refunding reduces total debt service payments over the next 13 years by approximately \$1,927,000 which represents an economic gain of approximately \$1,580,000.

In conjunction with the Sewage Disposal System Revenue Refunding Bonds, Series 2004, the City has covenanted and agreed to set, maintain and revise, from time to time, rates that will maintain net revenues of the system, sufficient to provide for payment of principal and interest on bonds and for the payment of expenses of administration and operation and such expenses for maintenance of the system as are necessary to preserve the same in good repair and working order, to maintain the bond reserve, if any, and to provide for any other expenditures as are required by the sewer ordinances. In addition, it has covenanted and agreed to set, maintain and revise rates from time to time and at least annually so that there shall be produced in each fiscal year net revenues in an amount not less than 120 percent of the aggregate principal and interest on bonds coming due in each fiscal year.

On September 28, 1995, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$137,374 in principal of Sewage Disposal System Revenue Bonds, Series 1995B (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2.25 percent per annum commencing April 1, 1998 and semiannually thereafter. The first principal payment was due April 1, 1998 and will continue to be due April 1 through 2016.

On March 28, 2002, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$6,000,000 in principal of Sewage Disposal System Revenue Bonds, Series 2002 (General Obligation Limited Tax) for the construction of the Miller Road Sewage Pump Station. The City is obligated to pay interest at 2.50 percent per annum commencing on October 1, 2002 and semiannually thereafter. The first principal payment was due April 1, 2004 and will continue to be due April 1 through 2023.

Note 4 – Long-term Debt (Continued)

On September 14, 2004, the City of Dearborn issued \$24,500,000 of General Obligation Unlimited Tax Bonds to finance the construction of the Combined Sewer Overflow project. These 30-year bonds have interest rates that range from 3.0% to 5.0%. The City is obligated to pay interest commencing April 1, 2005 and semiannually thereafter. The first principal payment is due April 1, 2006 and will continue to be due annual June 1 through 2034.

On September 23, 2004, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$61,640,000 in principal of General Obligation Sewer Bonds, Series 2004A (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing April 1, 2005 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027.

Component Unit

A revitalization Revolving Loan was received from the Michigan Department of Environmental Quality (MDEQ) on June 20, 2000 for \$246,000. The City is obligated to pay simple interest at 2.25 percent per annum commencing June 20, 2006 and annually thereafter. The first principal payment was due June 20, 2005 and will continue to be due June 20 through 2015.

The following is a summary of long-term debt transactions of the component units for the year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 246,000	\$ -	\$ (24,934)	\$ 221,066	\$ 19,959
Other liabilities - Compensated absences	-	2,359	-	2,359	-
Total governmental activities	\$ 246,000	\$ 2,359	\$ (24,934)	\$ 223,425	\$ 19,959

Note 4 – Long-term Debt (Continued)

The annual debt service requirements of the outstanding note payable as of June 30, 2005, including both principal and interest, are as follows:

Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	19,959	4,974
2007	20,409	4,525
2008	20,868	4,066
2009	21,337	3,596
2010	21,817	3,116
2011-2015	116,676	7,992
Total	<u>221,066</u>	<u>28,269</u>

Note 5 - Interfund Receivables and Payables

The following balances at June 30, 2005 represent interfund receivables and payables:

Receivables Fund	Payable Fund	Amount
Due from/to Other Funds		
General	Parking System	\$ 148,427
	Nonmajor governmental funds	165,465
	Internal service funds	569,896
	Total General Fund	883,788
General Capital Improvement	General	115,480
Nonmajor governmental funds	General	116,804
	Nonmajor governmental funds	106,586
	Internal service funds	14,500
	Total Nonmajor governmental funds	237,890
Parking System	General	30,770
	General capital improvement	14,261
		45,031
Sewer	Water	3,266,592
	Nonmajor governmental funds	533,995
		3,800,587
Internal service funds	General	842,323
	Sewer	1,200,000
	Total Nonmajor governmental funds	2,042,323
Fiduciary	General	67
	Total	\$ 7,125,166
Advances from/to Other Funds		
General	General Capital Improvement	\$ 615,131
	Golf Course	350,667
	Total	\$ 965,798

Note 5 - Interfund Receivables and Payables (Continued)

The advances to other funds include the following:

- The balance of \$615,131 due to the general fund from the general capital improvement fund resulted from a loan to establish working capital for the passenger rail station project; the balance will be collected as grant monies are received.
- The balance of \$350,667 due to the general fund from the golf course fund resulted from loans to construct the golf course's club house and to finance maintenance equipment and golf carts; \$73,133 of the balance is scheduled to be collected in the subsequent year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 6 - Interfund Transfers

The following amounts for the year ended June 30, 2005 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 150,566
	Total General	150,566
General Capital Improvement	General	2,791,795
	Nonmajor governmental funds	923,323
	Sewer	9,651
	Water	7,978
	Total General Capital Improvement	3,732,747
Nonmajor governmental funds	General	2,386,046
	Nonmajor governmental funds	1,730,954
	Total Nonmajor governmental funds	4,117,000
Parking System	General	15,000
Sewer	Nonmajor governmental funds	163,194
Water	Nonmajor governmental funds	549,874
Internal service funds	General	1,064,845
	Total	\$ 9,793,226

Note 6 - Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the funds that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2005, the City made a transfer in the amount of \$2,791,795 from the general fund to the general capital improvement fund. Of this amount, \$2,000,000 was to finance various capital projects.

Note 7 – Pension Plans

Plan Description

The City is the administrator of three single-employer defined benefit plans as follows:

(Closed) Policemen's and Firemen's Retirement System	Chapter 21
(Closed) General Employees' Retirement System	Chapter 22
(Open) Police and Fire Retirement System	Chapter 23

The plans, which cover all full-time employees of the City not covered by the defined contribution plan, provide retirement, disability and death benefits to plan members and their beneficiaries. The plans may be amended by negotiations with the City's competitive bargaining units. The plans do not issue separate financial reports.

At June 30, 2004, the date of the most recent actuarial valuation, membership consisted of the following:

	(Closed) General Employees	(Open) Police and Fire	(Closed) Policemen's and Firemen's
Retirees and beneficiaries currently receiving benefits	583	222	141
Terminated employees entitled to benefits but not yet receiving them	64	6	
Current active employees	425	312	

Note 7 – Pension Plans (Continued)

Contributions

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are recorded at fair value. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the systems for these employees was established by negotiations with the City's competitive bargaining units and requires a contribution from police and fire employees participating in the (Open) Police and Fire Retirement System of 5 percent of covered wages. General employees participating in the General Employees' Retirement System do not pay into their pension system.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost of \$7,945,273 for the three plans was equal to the City's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at June 30, 2003, using the entry age normal method. Significant actuarial assumptions used include (a) a 7.00 to 7.50 percent investment rate of return and (b) projected salary increases of 4.0 percent to 7.55 percent per year, depending on the system. Both (a) and (b) include an inflation component of 4.0 percent to 4.25 percent depending on the system. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. Net pension obligations for the three pension plans as of June 30, 2005, are as follows:

Chapter 21 plan	-0-
Chapter 22 plan	11,478,776
Chapter 23 plan	5,426,944

There were no pension obligations contributed for the three pension plans in the two preceding years. Administrative costs of the plans are paid by the City's General Fund.

Reserves

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2005, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 1,379,832
Chapter 23 plan	\$ 9,526,129

Note 7 – Pension Plans (Continued)

Financial Statement Information

As of June 30, 2005 the Statement of Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 6,102	\$ 9,027	\$ 10
Investments - short-term	1,280,211	2,360,823	429,031
Receivables:			
Interest and dividends	372,607	575,214	164,607
Other	93,362	432,525	-
Investments, at fair value:			
Long-term bonds	57,679,686	90,579,930	22,643,627
Common stock	6,204,599	9,874,420	-
Collateral pledged on securities loaned	4,292,681	10,560,279	1,540,910
Real estate	3,573,143	4,305,765	1,823,867
Mutual funds	52,593,942	95,630,222	13,623,589
Limited partnerships	761,477	925,118	377,701
Total investments	<u>125,105,528</u>	<u>211,875,734</u>	<u>40,009,694</u>
 Total assets	 <u>126,857,810</u>	 <u>215,253,323</u>	 <u>40,603,342</u>
Liabilities			
Accounts payable	78,747	195,488	264,104
Deferred revenue	-	55,715	-
Amounts due to broker under securities lending agreement	<u>4,292,681</u>	<u>10,560,279</u>	<u>1,540,910</u>
Total liabilities	<u>4,371,428</u>	<u>10,811,482</u>	<u>1,805,014</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 122,486,382</u>	<u>\$ 204,441,841</u>	<u>\$ 38,798,328</u>

Note 7 – Pension Plans (Continued)

For the year ended June 30, 2005 the Statement of Changes in Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 2,423,808	\$ 3,772,193	\$ 1,109,004
Net increase in value of investments	8,681,796	14,103,892	2,470,182
Net investment income	<u>11,105,604</u>	<u>17,876,085</u>	<u>3,579,186</u>
Contributions:			
Employer	3,364,143	4,581,130	-
Employee	155	1,103,695	-
Other income	427	793	-
Total contributions	<u>3,364,725</u>	<u>5,685,618</u>	<u>-</u>
Total additions	14,470,329	23,561,703	3,579,186
Deductions			
Benefit payments	7,911,916	8,041,987	4,020,558
Refunds of contributions	121,818	585,409	-
Administrative expenses	<u>371,836</u>	<u>562,027</u>	<u>108,473</u>
Total deductions	<u>8,405,570</u>	<u>9,189,423</u>	<u>4,129,031</u>
Change in Net Assets	6,064,759	14,372,280	(549,845)
Net Assets - Beginning of Year	116,421,623	190,069,561	39,348,173
Net Assets - End of Year	<u>\$ 122,486,382</u>	<u>\$ 204,441,841</u>	<u>\$ 38,798,328</u>

Other Postretirement Benefit Obligations

In addition to providing pension benefits, the City provides certain health and life insurance benefits for retired employees under provisions of applicable salary plans or union contracts. The City pays nearly all of the premiums. Substantially all employees may become eligible for these benefits through age and service. At June 30, 2005, there were 816 retirees or surviving beneficiaries eligible for such coverage.

Note 7 – Pension Plans (Continued)

In the Postretirement Health Insurance Fund, the City funded 21.35 percent for general employees and 17.35 percent for police and fire of payroll for 2004-2005 and has budgeted 23.49 percent for general employees and 19.09 percent for police and fire of payroll for 2005-2006. Funds set aside in this fund remain available to the general creditors of the City. For 2004-2005, \$7,414,022 was recognized as expenditure for premiums and \$11,047,357 as revenue of this fund. An actuarial update was done as of June 30, 2003.

Retiree life insurance benefits are paid from the City's Retiree Death Benefit Fund. Retirees electing such coverage pay premiums which, when combined with amounts contributed by the City, pay the cost of the benefits. The cost of claims paid for life insurance benefits for the year ended June 30, 2005 was approximately \$65,500.

Note 8 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the plan are, until paid or made available to the employee or other beneficiary, held in trust and are not subject to claims of the City's general creditors. Therefore, the assets of the plan are not reported. A section 401A Plan is established for full time employees not covered by the general employees retirement system.

The City's liability to each participant is equal to the participant's deferred compensation, adjusted by an amount equal to the investment performance in the related asset account. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Investments are managed by a trustee and investment decisions are made by individual employees.

Note 9 – Risk Management

Commercial Insurance

The City purchases commercial medical and hospitalization insurance coverage from various providers for its employees. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage for any of the past five fiscal years.

Self-insurance

The City operates self-insurance programs for workers' compensation and fleet and general liability reported in the Internal Service Funds.

Note 9 – Risk Management (Continued)

Unemployment Compensation

Unemployment compensation is on a reimbursement basis with the Michigan Employment Security Commission. Claims are managed by the City's Human Resources Department, with payment for the preceding calendar year's claims due in August of the following year. Funding for unemployment compensation is paid by each department equal to claims paid on its behalf in the prior year.

Workers' Compensation

The City has excess liability coverage with a retention of \$500,000 per accident and \$500,000 per employee illness. The City is self-insured for the retentions. Funding for the workers' compensation program is based on a percentage of payroll judged necessary to fund the program. The estimated accrued liability for claims is based on past experience and future exposure of the claims.

Employee Death Benefits

Employee death benefits, funded through the employee insurance fund, are handled by an outside insurance company. Charges for this insurance are built into each payroll and allocated to the benefited funds and departments.

Fleet and General Liability Insurance Fund

The City has been self-insured for civil and fleet liability at various times. Currently, the City maintains excess liability coverage for fleet, general, boiler and machinery, property, crime, contractor's equipment, electronic data processing, public officials errors and omissions, and ambulance attendants liability. The City has a self-insured retention of \$1,000,000 for each liability claim. The first layer of insurance is \$5,000,000 per occurrence. The excess layer is \$7,000,000 per occurrence. The City has increased funding of its insurance program as a result of insurance industry conditions. The City estimates liability for claims based on the Law Department's evaluation of potential exposure, historical experience and future development of the claims. Retained earnings are designated for anticipated future catastrophic losses.

The City estimates liability for those claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. Estimates are recorded in the internal service fund type.

Note 9 – Risk Management (Continued)

Changes in the estimated liabilities during the year were as follows:

	Unemployment Compensation	Worker's Compensation	Employee Death Benefit	Fleet & General Liability
Claims liability - July 1, 2003	\$ -	\$ 1,710,469	\$ -	\$ 2,021,539
Claims incurred during the year	66,263	-	820,134	541,592
Changes in estimates for claims of prior periods	-	525,881	-	783,182
Payments on claims	<u>(66,263)</u>	<u>(176,414)</u>	<u>(820,134)</u>	<u>(867,562)</u>
Claims liability - June 30, 2004	-	2,059,936	-	2,478,751
Claims incurred during the year	96,377	-	895,574	1,386,070
Changes in estimates for claims of prior periods	-	693,840	-	164,648
Payments on claims	<u>(96,377)</u>	<u>(87,372)</u>	<u>(895,574)</u>	<u>(431,386)</u>
Claims liability - June 30, 2005	<u>\$ -</u>	<u>\$ 2,666,404</u>	<u>\$ -</u>	<u>\$ 3,598,083</u>

Note 10 – Claims, Litigation and Potential Contract Disallowances

Provision for certain claims and assessments asserted against the City, estimable in amount and probable of payment has been made in the applicable funds (see Note 9).

In addition, the City is a defendant in certain other lawsuits and claims that have resulted from the ordinary course of its activities. The ultimate effect on the combined financial statements of the resolution of these matters is, in the opinion of Corporation Counsel, not expected to be material considering available insurance coverage.

The City receives funds from other governmental units to finance specific programs. The final determination of allowable amounts is subject to financial and compliance audit by the responsible agencies. As of June 30, 2005, the audits of certain programs were not completed. Accordingly, the City's compliance with applicable grant requirements and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City believes that amounts disallowed, if any, from pending or future audits would not be material.

Note 11 – Commitments for Construction

PROPRIETARY FUNDS

The Michigan Department of Environmental Quality (MDEQ) issued a revised National Pollution Discharge Elimination System Permit to the City in September of 2001. The new permit describes requirements for the elimination of CSO discharges from Outfalls 1-17 and Outfalls 19-21. The City is authorized to issue up to \$314.12 million in revenue bonds to finance this project in combination with Rouge River Wet Weather Demonstration grants and low interest loans through the State Revolving Fund.

Construction related to Outfalls 13, 14, and 15 began in November of 2004 and consists of large diameter, sinking caisson shafts to capture the required amount of CSO volumes in accordance with the NPDES permit. Construction of this phase of the project will be completed by June of 2007.

Construction related to Outfalls 16 and 17 will begin by the end of 2005 and also consists of large diameter, sinking caisson shafts to capture the required CSO volumes. This phase of the project will be complete by March 2008.

Outfall 19 will be handled through a sewer separation project to be completed by September 2007. Outfall 21 was completed with the construction of the Miller Road Pump Station in 2005.

The final phase of the CSO project, affecting Outfalls 1-12 and 20 is in the design stage. Construction of this phase will be completed by October 2010.

Current construction for these CSO projects is estimated at \$342 million. The engineer is recommending that a large portion of the work already completed be incorporated into the new CSO design.

In August 2004, a ballot proposal was approved by the voters, which authorized the City to borrow up to \$311.9 million in general obligation bonds in order to finance these projects.

Note 12 – Construction Code Fees

The City of Dearborn oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City of Dearborn charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Shortfall at July 1, 2004			\$ (1,117,994)
Building permit revenue		\$ 3,488,897	
Related expenses:			
Direct costs	\$ 4,583,610		
Estimated indirect costs	<u>496,912</u>		
Total construction code expenses		<u>5,080,522</u>	
Current year shortfall			<u>(1,591,625)</u>
Shortfall at June 30, 2005			<u><u>\$ (2,709,619)</u></u>

Note 13 – Subsequent Events

In September 2005, the City was approved for a 1.625% State Revolving Fund loan in the amount of \$72,895,000. As construction payments for the combined sewer overflow project are made, the City will be able to draw down funds from the Michigan Municipal Bond Authority.

Note 14 – Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2008.

Note 15 – Defined Contribution Pension Plan

The City established a defined contribution plan under Sections 401(a) and 457 of the Internal Revenue Code for general employees who hired on or after January 1, 2002, depending on bargaining unit.

In addition, the plan covers all general employees who elected to transfer from the City's defined benefit pension plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Dearborn through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	<u>Employee Contribution</u>	<u>Employer Contribution</u>
401 plan (required)	2%	4%
457 plan	up to 3%	up to 4%

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$229,909 during the current year and employees contributed \$140,106.

Required Supplemental Information

City of Dearborn, Michigan

Chapter 21 (Closed) Policemen's and Firemen's Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/1999	45.7	43.2	(2.5)	1.058	-	N/A
6/30/2000	48.0	41.7	(6.3)	1.151	-	N/A
6/30/2001	48.6	39.8	(8.8)	1.221	-	N/A
6/30/2002	47.5	39.1	(8.4)	1.215	-	N/A
6/30/2003	44.8	37.6	(7.2)	1.191	-	N/A
6/30/2004	42.1	35.0	(7.1)	1.203	-	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	-	N/A
2001	-	N/A
2002	-	N/A
2003	-	N/A
2004	-	N/A
2005	-	N/A

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Fully Funded Retiree Only Plan
Asset valuation method	5-year smoothed market
Amortization method	Level dollar
Amortization period	5 years
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	4.50%
*Includes inflation at cost of living adjustment	4.50%

City of Dearborn, Michigan

Chapter 22 (Closed) General Employees' Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/1999	122.0	106.9	(15.1)	1.141	23.2	(65.1)
6/30/2000	134.3	115.3	(19.0)	1.165	23.6	(80.5)
6/30/2001	139.9	120.2	(19.7)	1.164	25.4	(77.6)
6/30/2002	139.7	127.5	(12.2)	1.096	26.3	(46.4)
6/30/2003	130.6	134.9	4.3	0.968	25.1	17.1
6/30/2004	128.4	139.9	11.5	0.918	22.8	50.4

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	1,892,804	100
2001	482,182	100
2002	308,063	100
2003	324,874	100
2004	324,427	100
2005	3,364,143	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market 80% - 120% corridor
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	4.25% - 7.55%
*Includes inflation at cost of living adjustment	4.25%

City of Dearborn, Michigan

Chapter 23 (Open) Police and Fire Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/1999	176.6	143.6	(33.0)	1.230	18.4	(179.3)
6/30/2000	196.0	155.7	(40.3)	1.259	18.4	(219.0)
6/30/2001	207.2	164.5	(42.7)	1.260	19.6	(217.9)
6/30/2002	209.7	180.7	(29.0)	1.160	19.6	(148.0)
6/30/2003	206.5	196.3	(10.2)	1.052	21.5	(47.4)
6/30/2004	204.6	210.0	5.4	0.974	21.5	25.1

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	1,020,049	100
2001	546,284	100
2002	561,239	100
2003	573,217	100
2004	652,503	100
2005	4,581,130	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Equivalent single amortization period	19.58 years
Asset valuation method	5-year smoothed market 80% - 120% corridor

Actuarial assumptions:

Investment rate of return*	7.00%
Projected salary increases*	4.00%

*Includes inflation at
cost of living adjustment 4.00% (varies by labor contract)

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 64,606,766	\$ 64,606,766	\$ 65,172,749	\$ 565,983	\$ -	\$ 65,172,749
Property tax administration fee	2,335,000	2,335,000	2,428,896	93,896	-	2,428,896
Penalties and interest on taxes	685,000	685,000	929,187	244,187	-	929,187
Payments in lieu of taxes	1,033,798	1,033,798	784,734	(249,064)	-	784,734
Total taxes and penalties on taxes	68,660,564	68,660,564	69,315,566	655,002	-	69,315,566
Licenses and Permits						
Business licenses and permits	248,000	248,000	277,252	29,252	-	277,252
Nonbusiness licenses and permits	2,422,550	2,422,550	2,207,610	(214,940)	-	2,207,610
Total licenses and permits	2,670,550	2,670,550	2,484,862	(185,688)	-	2,484,862
Intergovernmental Revenues						
State sources:						
Sales and use tax	9,424,400	9,424,400	9,872,675	448,275	-	9,872,675
Operators' licenses	6,000	6,000	4,365	(1,635)	-	4,365
Judges' salaries	140,000	140,000	131,433	(8,567)	-	131,433
Alcohol caseload rebate	74,000	74,000	99,870	25,870	-	99,870
Other state sources	392,883	766,083	612,815	(153,268)	-	612,815
Total state sources	10,037,283	10,410,483	10,721,158	310,675	-	10,721,158
Other governmental:						
Federal grants	50,000	1,587,318	665,867	(921,451)	-	665,867
Wayne County library fines	130,000	130,000	135,955	5,955	-	135,955
Schools election reimbursement	25,000	25,000	29,127	4,127	-	29,127
Other organizations	-	-	9,694	9,694	-	9,694
Total other governmental	205,000	1,742,318	840,643	(901,675)	-	840,643
Total intergovernmental revenues	10,242,283	12,152,801	11,561,801	(591,000)	-	11,561,801
Charges for Services						
General government:						
Birth and death records	250,000	250,000	237,250	(12,750)	-	237,250
Engineering and inspection	775,000	775,457	977,079	201,622	-	977,079
City service fee	1,151,622	1,151,622	1,151,622	-	-	1,151,622
Other	1,592,025	1,592,826	659,953	(932,873)	-	659,953
Total general government	3,768,647	3,769,905	3,025,904	(744,001)	-	3,025,904
Public safety:						
Annual safety inspection	600,000	600,000	73,038	(526,962)	-	73,038
Annual maintenance inspection	140,000	140,000	80,872	(59,128)	-	80,872
Ambulance services	960,000	960,000	1,184,824	224,824	-	1,184,824
Additional police patrols	160,000	160,000	129,760	(30,240)	-	129,760
False alarms	90,000	90,000	44,225	(45,775)	-	44,225
Other	851,300	851,300	963,142	111,842	-	963,142
Total public safety	2,801,300	2,801,300	2,475,861	(325,439)	-	2,475,861
Health	189,750	189,750	210,520	20,770	-	210,520
Public works:						
Debris and rubbish pickup	60,000	60,000	40,403	(19,597)	-	40,403
Weed cutting	-	-	(1,610)	(1,610)	-	(1,610)
Sidewalk maintenance	44,625	44,625	547,711	503,086	-	547,711
Total public works	104,625	104,625	586,504	481,879	-	586,504
Recreation and culture:						
Programs and activities sales	481,270	481,270	471,004	(10,266)	-	471,004
Sales	276,079	276,079	255,447	(20,632)	-	255,447
Use and admission fees	2,135,421	2,135,421	2,164,663	29,242	-	2,164,663
Total recreation and culture	2,892,770	2,892,770	2,891,114	(1,656)	-	2,891,114
Total charges for services	9,757,092	9,758,350	9,189,903	(568,447)	-	9,189,903

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Fines and Forfeitures						
Parking fines	\$ 200,000	\$ 200,000	\$ 220,838	\$ 20,838	\$ -	\$ 220,838
19th District Court fines	2,677,800	2,677,800	2,552,555	(125,245)	-	2,552,555
Library fines and forfeits	96,000	96,000	99,111	3,111	-	99,111
Other fines and forfeits	5,500	5,500	3,830	(1,670)	-	3,830
Total fines and forfeitures	2,979,300	2,979,300	2,876,334	(102,966)	-	2,876,334
Miscellaneous Revenue						
Franchise fees	138,000	138,000	115,942	(22,058)	-	115,942
Rents and lease agreements	3,136,857	3,143,817	3,438,815	294,998	-	3,438,815
Sale of fixed assets	-	-	3,029	3,029	-	3,029
Reimbursements	13,800	13,800	83,833	70,033	-	83,833
Other revenue	1,280,764	1,293,208	1,298,096	4,888	-	1,298,096
Total miscellaneous revenue	4,569,421	4,588,825	4,939,715	350,890	-	4,939,715
Investment Income	756,753	756,753	1,491,401	734,648	-	1,491,401
Total revenues	99,635,963	101,567,143	101,859,582	292,439	-	101,859,582
Other Financing Sources						
Drug Law Enforcement Fund	50,000	129,755	38,464	(91,291)	-	38,464
Designated Purposes Fund	-	-	112,102	112,102	-	112,102
Total other financing sources	50,000	129,755	150,566	20,811	-	150,566
Total revenues and other sources	\$ 99,685,963	\$ 101,696,898	\$ 102,010,148	\$ 313,250	\$ -	\$ 102,010,148
Expenditures						
General Government						
Council	\$ 494,848	\$ 502,823	\$ 455,833	\$ 46,990	\$ (3,478)	\$ 452,355
District Court	3,066,296	3,268,610	3,034,504	234,106	(7,422)	3,027,082
Mayor	1,744,110	1,014,393	914,815	99,578	(10,497)	904,318
City Clerk	883,258	931,282	923,324	7,958	(55,607)	867,717
Law	1,498,560	1,605,959	1,499,526	106,433	(54,370)	1,445,156
Human resources	1,026,977	1,062,127	945,866	116,261	(4,549)	941,317
Public works/building services and maintenance	3,921,770	3,989,367	3,831,842	157,525	(15,445)	3,816,397
Assessment	1,504,293	1,639,233	1,139,716	499,517	(96)	1,139,620
Management information systems	1,360,647	1,409,046	1,211,019	198,027	(53,239)	1,157,780
Finance:						
Accounting	1,694,603	1,882,947	1,712,551	170,396	(3,838)	1,708,713
Purchasing	507,317	518,888	400,438	118,450	(2,600)	397,838
Treasurer	690,759	684,609	613,121	71,488	(35,511)	577,610
Nondepartmental - Insurance, tax refunds and other miscellaneous	2,945,000	1,883,794	1,318,850	564,944	-	1,318,850
Total general government	21,338,438	20,393,078	18,001,405	2,391,673	(246,652)	17,754,753
Public Safety						
Police:						
Operations	24,043,103	26,404,017	25,239,882	1,164,135	(209,599)	25,030,283
Ordinance enforcement	550,901	588,077	579,389	8,688	(355)	579,034
Fire:						
Operations	14,107,056	14,708,379	14,658,841	49,538	(28,286)	14,630,555
Communications	2,218,785	2,260,061	2,159,599	100,462	(2,575)	2,157,024
Building and safety	5,704,783	5,741,783	4,638,528	1,103,255	(54,922)	4,583,606
Total public safety	46,624,628	49,702,317	47,276,239	2,426,078	(295,737)	46,980,502

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Public Works						
Administrative	\$ 534,269	\$ 501,046	\$ 452,023	\$ 49,023	\$ (4,639)	\$ 447,384
Engineering	2,000,329	2,809,373	2,578,039	231,334	(73,247)	2,504,792
Highways	2,762,595	2,873,030	2,756,926	116,104	(550)	2,756,376
Sanitation	4,694,262	4,724,951	4,599,681	125,270	(22,229)	4,577,452
MIS - Line	582,666	589,116	580,162	8,954	(659)	579,503
Nondepartmental - Street light repair	81,607	80,000	59,287	20,713	-	59,287
Total public works	10,655,728	11,577,516	11,026,118	551,398	(101,324)	10,924,794
Health and Welfare						
Public information:						
Administrative	527,719	528,579	510,205	18,374	(11,282)	498,923
Photography and micrographics	113,144	114,788	107,122	7,666	(1,416)	105,706
Health	403,648	403,648	390,600	13,048	(46,503)	344,097
Building and safety - Environmental services	-	-	37	(37)	(37)	-
Total health and welfare	1,044,511	1,047,015	1,007,964	39,051	(59,238)	948,726
Recreation and Culture						
Libraries	4,025,766	3,967,407	3,815,126	152,281	(30,312)	3,784,814
Public works	4,150,457	4,378,139	3,878,182	499,957	(5,819)	3,872,363
Recreation:						
Administrative	943,044	942,934	924,406	18,528	(1,221)	923,185
Programs	775,540	777,579	729,590	47,989	(4,782)	724,808
Outdoor pools	575,330	569,299	508,953	60,346	(4,774)	504,179
Community center:						
Admin/Athletics	1,735,042	1,810,157	1,755,024	55,133	(2,808)	1,752,216
Cultural arts	1,065,519	1,088,929	1,027,087	61,842	5,783	1,032,870
Senior services	672,398	680,220	464,124	216,096	-	464,124
Sports arena	787,727	818,755	739,619	79,136	(698)	738,921
Historical commission	511,978	511,978	492,480	19,498	(877)	491,603
Total recreation and culture	15,242,801	15,545,397	14,334,591	1,210,806	(45,508)	14,289,083
Community Improvement						
Community improvement	689,660	689,660	233,347	456,313	(274)	233,073
City plan	352,430	352,430	321,709	30,721	(133)	321,576
Total community improvement	1,042,090	1,042,090	555,056	487,034	(407)	554,649
Utilities	3,735,500	3,743,107	3,784,380	(41,273)	13,114	3,797,494
Capital Outlay/Projects	951,000	1,985,964	1,424,154	561,810	(269,577)	1,154,577
Total expenditures	100,634,696	105,036,484	97,409,907	7,626,577	(1,005,329)	96,404,578
Other Uses - Transfers out	5,921,466	6,184,803	6,257,686	(72,883)	-	6,257,686
Total expenditures and other uses	\$ 106,556,162	\$ 111,221,287	\$ 103,667,593	\$ 7,553,694	\$ (1,005,329)	\$ 102,662,264

Budgetary Accounting and Accountability

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

Appropriations in the General Fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Other Supplemental Information

City of Dearborn, Michigan

Description of Nonmajor Governmental Funds Year Ended June 30, 2005

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined Special Revenue Funds are comprised of the following individual funds:

Major Street and Trunkline Fund and Local Street Fund – Both of these funds are established by state law to account for expenditures of state gas and weight tax collection allocations to the City. Their use is restricted to maintenance and construction of roads and streets and related expenditures. Ten percent of revenue may be expended for non-motorized transportation.

Camp Dearborn Operating Fund – This fund accounts for operation of the City's 626-acre park located near Milford, Michigan in Oakland County. This park is open to residents and their guests and offers a wide range of recreational activities. In FY2005, the operation required a subsidy from the General Fund.

Senior Citizen Furnishings Fund – This fund accounts for rental of furnishings to tenants in three senior citizen apartment buildings operated by the Dearborn Housing Commission. Maintenance and replacement of the furnishings is financed through this fund.

Drug Law Enforcement Fund – This fund is used to account for the proceeds of forfeitures resulting from drug law enforcement activities.

Library Aid Fund – This fund accounts for expenditure of library aid funds allocated to the City from the state. Use is restricted to library purposes.

Community Development Fund – This fund accounts for entitlement funds received through the Federal Community Development Block Grant Program. The City has participated in this program since its enactment by Congress in 1977.

Home Weatherization Fund – This fund accounts for weatherization grant funds received through the state of Michigan to assist eligible residents in weatherizing their homes.

Telecommunications Fund – This fund accounts for expenditure of revenue allocated through cable television franchise fees for the purpose of providing staff assistance to administer the cable television franchise and grant to promote access to the cable television system.

Designated Purposes Fund – This fund accounts for expenditures of various civic projects, which are financed by specific charges for services and by private contributions.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

City of Dearborn, Michigan

Description of Nonmajor Governmental Funds Year Ended June 30, 2005

Enterprise Funds

These funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Golf Course Fund – This fund accounts for the operation of Robert Herndon's Dearborn Hills Public Golf Course.

Seniors Apartment Operating Fund – This fund accounts for operation of the City's Housing Department which administers the Senior Citizen Housing Program. The fund also directly accounts for operation of two senior citizen apartment buildings, Hubbard Manor East and Hubbard Manor West, which consist of a total of 351 apartments. Administrative and other costs are billed to the Dearborn Towers Fund and to the Dearborn Housing Commission based on services provided.

Dearborn Towers Fund – This fund accounts for operation of an 88-unit senior citizen apartment building in Clearwater, Florida. The apartment building is intended to provide a Florida retirement home for eligible Dearborn residents.

Internal Service Funds

Equipment Replacement Fund – Computers and related equipment, as well as copiers are purchased by this fund for most city departments. Funding for the equipment is received by charging an annual equipment lease fee to each user department. This fund also accounts for the operation of the City's central storeroom.

Central Garage Fund – Central repair and maintenance services for vehicles and similar equipment are provided by the Motor Transport Division of the Department of Public Works. Such activities are accounted for within this fund. Routine maintenance of Camp Dearborn equipment is handled by Camp personnel. This fund is reimbursed by billing user departments. Replacement vehicles for general fund departments are funded through annual equipment lease fees charged to the departments.

Workers' Compensation and Employee Benefit Fund – This fund accounts for reserves established to support future expenditures for indemnity claims arising from work-related injuries. The City is self-insured for \$500,000 per occurrence with unlimited excess coverage and uses an insurance reserve method to determine funding requirements. The fund also handles employee life and dental insurance. Life insurance coverage is provided by an outside insurance company. Dental insurance is on a reimbursement basis with Delta Dental.

Fleet and General Liability Insurance Fund – This fund accounts for reserves established for both fleet and general liability insurance and related claims against the City. The City retains the first \$750,000 per occurrence. The first layer of insurance is \$6 million per occurrence. The excess layer is \$6 million per occurrence.

City of Dearborn, Michigan

Description of Nonmajor Governmental Funds Year Ended June 30, 2005

Fiduciary Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

Agency Fund – This fund accounts for deposit of monies held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Imprest Payroll Fund – This fund acts as a payroll-clearing mechanism to aggregate and distribute payroll deductions. Its use relates primarily to internal control and convenience in cash management.

19th District Court – This fund accounts for monies collected by the court as bonds or for eventual distribution to the City as the district control unit or the State of Michigan.

Pension Trust Funds – The City operates three retirement systems, which are accounted for in three separate funds. These funds include the General Employees' Retirement System Fund, covering all full-time general employees (excluding sworn police and fire), the Revised Police and Fire (Open) Retirement System Fund, which covers police and fire employees hired since 1956, and the Policemen's and Firemen's (Closed) Retirement System Fund, which covers police and fire employees hired prior to establishment of the revised system.

Retiree Death Benefit Fund – This fund accounts for reserves established to support future expenditures for death benefit claims. The City is self-insured. The fund has had an actuarial valuation that indicated the fund is in sound financial condition.

Postretirement Health Care Fund – This fund accounts for amounts reserved to pay future postretirement health insurance expenses. While primarily set aside for this purpose, resources remain available to the general creditors of the City. Funding is determined by actuarial studies to stabilize budget requirements as a percentage of pay.

City of Dearborn, Michigan

						Nonmajor
	Major Street and Trunkline Fund	Local Streets Fund	Camp Dearborn Operating Fund	Senior Citizens Furnishings Fund	Drug Law Enforcement Fund	Library Aid Fund
Assets						
Cash and cash equivalents	\$ 357,774	\$ 57,190	\$ 90,756	\$ 11,528	\$ 166,180	\$ 10,116
Investments, short-term	5,735,401	916,807	1,880,563	235,458	2,215,127	162,165
Accounts receivable (Net)	28,146	1,461	23,613	-	-	-
Property taxes receivable	-	-	-	-	-	-
Accrued interest receivable	56,769	9,075	14,274	1,829	21,925	1,605
Due from other funds	-	106,586	-	-	27,651	-
Due from other governments	801,694	547,263	-	-	-	42,537
Prepaid items	-	-	8,229	-	-	-
Inventories	-	-	2,363	-	-	-
Investments, long-term	1,572,225	251,321	-	-	607,225	44,454
Total assets	<u>\$8,552,009</u>	<u>\$1,889,703</u>	<u>\$2,019,798</u>	<u>\$ 248,815</u>	<u>\$ 3,038,108</u>	<u>\$ 260,877</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 409,746	\$ 220,994	\$ 80,110	\$ 4,001	\$ 113,038	\$ 901
Accrued liabilities	-	-	54,570	-	-	-
Deposits/refunds payable	-	-	240,165	-	-	-
Due to other funds	106,586	-	-	-	38,464	-
Due to other governments	-	-	340	-	-	-
Debt obligations	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-
Total liabilities	<u>516,332</u>	<u>220,994</u>	<u>375,185</u>	<u>4,001</u>	<u>151,502</u>	<u>901</u>
Fund Balances:						
Reserve for encumbrances	1,911,606	844,434	582,948	9,000	98,645	126,855
Reserve for prepaid items	-	-	8,229	-	-	-
Designated reserve	5,511,630	635,039	751,629	235,000	987,724	159,780
Reserved for debt service	-	-	-	-	-	-
Unreserved - Undesignated	612,441	189,236	301,807	814	1,800,237	(26,659)
Total fund balances	<u>8,035,677</u>	<u>1,668,709</u>	<u>1,644,613</u>	<u>244,814</u>	<u>2,886,606</u>	<u>259,976</u>
Total liabilities and fund balances	<u>\$8,552,009</u>	<u>\$1,889,703</u>	<u>\$2,019,798</u>	<u>\$ 248,815</u>	<u>\$ 3,038,108</u>	<u>\$ 260,877</u>

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

Special Revenue Funds

Community Development Fund	Home Weatherization Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 235	\$ 2,852	\$ 21,912	\$ 282,284	\$ 1,000,827	\$ 573,271	\$ 1,574,098
4,194	58,255	348,059	846,226	12,402,255	446,541	12,848,796
-	-	3,750	24,023	80,993	-	80,993
-	-	-	-	-	21,773	21,773
33	453	3,445	7,127	116,535	4,767	121,302
-	-	-	-	134,237	103,653	237,890
148,407	-	-	17,001	1,556,902	57,388	1,614,290
-	-	1,646	-	9,875	-	9,875
-	-	-	-	2,363	-	2,363
-	-	95,412	-	2,570,637	-	2,570,637
\$ 152,869	\$ 61,560	\$ 474,224	\$ 1,176,661	\$ 17,874,624	\$ 1,207,393	\$ 19,082,017
\$ 32,475	\$ 622	\$ 2,823	\$ 13,588	\$ 878,298	\$ -	\$ 878,298
-	-	3,525	256	58,351	-	58,351
758	-	-	115,149	356,072	-	356,072
110,000	-	-	17,001	272,051	533,995	806,046
-	-	-	-	340	-	340
-	-	-	-	-	91,063	91,063
9,636	60,938	-	-	70,574	36,815	107,389
-	-	-	-	-	30,992	30,992
152,869	61,560	6,348	145,994	1,635,686	692,865	2,328,551
2,321,424	-	7,147	58,773	5,960,832	-	5,960,832
-	-	1,646	-	9,875	-	9,875
-	-	12,289	971,894	9,264,985	-	9,264,985
-	-	-	-	-	514,528	514,528
(2,321,424)	-	446,794	-	1,003,246	-	1,003,246
-	-	467,876	1,030,667	16,238,938	514,528	16,753,466
\$ 152,869	\$ 61,560	\$ 474,224	\$ 1,176,661	\$ 17,874,624	\$ 1,207,393	\$ 19,082,017

City of Dearborn, Michigan

	Nonmajor					
	Major Street and Trunkline Fund	Local Streets Fund	Camp Dearborn Operating Fund	Senior Citizens Furnishings Fund	Drug Law Enforcement Fund	Library Aid Fund
Revenues						
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:						
State sources	4,983,811	1,761,517	-	-	-	85,174
Federal sources	1,003,389	-	-	-	-	-
Charges for services	-	-	244,652	-	-	-
Fines and forfeits	-	-	3,750	-	735,663	-
Rents and royalties	-	-	1,193,482	-	-	-
Miscellaneous revenue	27,075	-	31,056	-	75,254	-
Private source contributions	144,422	-	-	-	-	-
Investment income	161,105	38,865	32,685	5,541	72,460	4,845
Total revenues	6,319,802	1,800,382	1,505,625	5,541	883,377	90,019
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	407,769	-
Public works	3,984,745	3,768,994	-	-	-	-
Health and welfare	-	-	-	-	-	-
Recreation and culture	-	-	1,477,319	-	-	51,409
Community improvement	-	-	-	8,000	-	-
Utilities	-	-	233,945	-	28,920	-
Capital outlay	-	-	282,786	-	464,749	9,853
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	3,984,745	3,768,994	1,994,050	8,000	901,438	61,262
Revenues Over (Under) Expenditures	2,335,057	(1,968,612)	(488,425)	(2,459)	(18,061)	28,757
Other Financing Sources (Uses)						
Transfers in	516,561	1,492,404	958,706	-	-	-
Transfers out	(1,239,863)	(742)	-	-	(757,448)	-
Total other financing sources (uses)	(723,302)	1,491,662	958,706	-	(757,448)	-
Net Change in Fund Balances	1,611,755	(476,950)	470,281	(2,459)	(775,509)	28,757
Fund Balances - Beginning of Year	6,423,922	2,145,659	1,174,332	247,273	3,662,115	231,219
Fund Balances - End of Year	\$ 8,035,677	\$ 1,668,709	\$ 1,644,613	\$ 244,814	\$ 2,886,606	\$ 259,976

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended June 30, 2005

Special Revenue Funds

Community Development Fund	Home Weatherization Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,321,280	\$ 2,321,280
-	-	-	-	6,830,502	-	6,830,502
2,375,059	115,361	-	20,000	3,513,809	-	3,513,809
-	-	-	171,097	415,749	-	415,749
-	-	-	-	739,413	-	739,413
-	-	434,070	-	1,627,552	-	1,627,552
177,713	13,234	-	79,060	403,392	-	403,392
-	-	-	114,915	259,337	-	259,337
-	519	10,379	4,595	330,994	35,789	366,783
<u>2,552,772</u>	<u>129,114</u>	<u>444,449</u>	<u>389,667</u>	<u>14,120,748</u>	<u>2,357,069</u>	<u>16,477,817</u>
-	-	-	42,838	42,838	4,606	47,444
-	-	-	59,998	467,767	-	467,767
-	-	-	61,984	7,815,723	-	7,815,723
-	-	-	2,658	2,658	-	2,658
-	-	489,528	318,034	2,336,290	-	2,336,290
1,145,016	129,114	-	20,050	1,302,180	-	1,302,180
-	-	-	-	262,865	-	262,865
-	-	40,693	54,574	852,655	-	852,655
-	-	-	-	-	2,130,000	2,130,000
-	-	-	-	-	1,056,028	1,056,028
<u>1,145,016</u>	<u>129,114</u>	<u>530,221</u>	<u>560,136</u>	<u>13,082,976</u>	<u>3,190,634</u>	<u>16,273,610</u>
1,407,756	-	(85,772)	(170,469)	1,037,772	(833,565)	204,207
-	-	-	127,098	3,094,769	1,022,231	4,117,000
<u>(1,407,756)</u>	<u>-</u>	<u>-</u>	<u>(112,102)</u>	<u>(3,517,911)</u>	<u>-</u>	<u>(3,517,911)</u>
<u>(1,407,756)</u>	<u>-</u>	<u>-</u>	<u>14,996</u>	<u>(423,142)</u>	<u>1,022,231</u>	<u>599,089</u>
-	-	(85,772)	(155,473)	614,630	188,666	803,296
-	-	553,648	1,186,140	15,624,308	325,862	15,950,170
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 467,876</u>	<u>\$1,030,667</u>	<u>\$16,238,938</u>	<u>\$ 514,528</u>	<u>\$ 16,753,466</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Major Street & Trunkline Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 6,262,986	\$ 4,983,811	\$ (1,279,175)	\$ -	\$ 4,983,811
Federal sources	1,003,391	1,003,389	(2)	-	1,003,389
Miscellaneous revenue	12,945	27,075	14,130	-	27,075
Private source contributions	-	144,422	144,422	-	144,422
Investment income	75,000	161,105	86,105	-	161,105
Total revenues	7,354,322	6,319,802	(1,034,520)	-	6,319,802
Expenditures - Public works	11,759,359	5,896,351	5,863,008	(1,911,606)	3,984,745
Revenues Over (Under) Expenditures	(4,405,037)	423,451	4,828,488	1,911,606	2,335,057
Other Financing Sources (Uses)					
Transfers in	546,961	516,561	(30,400)	-	516,561
Transfers out	(1,305,378)	(1,239,863)	65,515	-	(1,239,863)
Total other financing sources (uses)	(758,417)	(723,302)	35,115	-	(723,302)
Net Change in Fund Balances	(5,163,454)	(299,851)	4,863,603	1,911,606	1,611,755
Fund Balances - Beginning of Year	6,423,922	6,423,922	-	-	6,423,922
Reserved for Encumbrances	-	1,911,606	1,911,606	(1,911,606)	-
Fund Balances - End of Year	\$ 1,260,468	\$ 8,035,677	\$ 6,775,209	\$ -	\$ 8,035,677

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 1,815,306	\$ 1,761,517	\$ (53,789)	\$ -	\$ 1,761,517
Miscellaneous revenue	-	-	-	-	-
Investment income	18,000	38,865	20,865	-	38,865
Total revenues	1,833,306	1,800,382	(32,924)	-	1,800,382
Expenditures - Public works	<u>5,895,488</u>	<u>4,613,428</u>	<u>1,282,060</u>	<u>(844,434)</u>	<u>3,768,994</u>
Revenues Over (Under) Expenditures	(4,062,182)	(2,813,046)	1,249,136	844,434	(1,968,612)
Other Financing Sources (Uses)					
Transfers in	2,315,471	1,492,404	(823,067)	-	1,492,404
Transfers out	<u>(58,443)</u>	<u>(742)</u>	<u>57,701</u>	<u>-</u>	<u>(742)</u>
Total other financing sources (uses)	<u>2,257,028</u>	<u>1,491,662</u>	<u>(765,366)</u>	<u>-</u>	<u>1,491,662</u>
Net Change in Fund Balances	(1,805,154)	(1,321,384)	483,770	844,434	(476,950)
Fund Balances - Beginning of Year	2,145,659	2,145,659	-	-	2,145,659
Reserved for Encumbrances	<u>-</u>	<u>844,434</u>	<u>844,434</u>	<u>(844,434)</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 340,505</u>	<u>\$ 1,668,709</u>	<u>\$ 1,328,204</u>	<u>\$ -</u>	<u>\$ 1,668,709</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Charges for Services:					
Use and admission	\$ 237,500	\$ 209,357	\$ (28,143)	\$ -	\$ 209,357
Sales	41,200	35,295	(5,905)	-	35,295
Fines and forfeits	2,000	3,750	1,750	-	3,750
Rents and royalties:					
Golf course	159,535	159,540	5	-	159,540
Oil exploration	16,200	12,392	(3,808)	-	12,392
Facilities	1,106,675	1,021,550	(85,125)	-	1,021,550
Miscellaneous revenue	31,700	31,056	(644)	-	31,056
Investment income	15,000	32,685	17,685	-	32,685
Total revenues	1,609,810	1,505,625	(104,185)	-	1,505,625
Expenditures					
Recreation and culture	1,619,963	1,516,822	103,141	(39,503)	1,477,319
Utilities	253,000	233,945	19,055	-	233,945
Capital outlay	1,584,038	826,231	757,807	(543,445)	282,786
Total expenditures	3,457,001	2,576,998	880,003	(582,948)	1,994,050
Revenues Over (Under) Expenditures	(1,847,191)	(1,071,373)	775,818	582,948	(488,425)
Other Financing Sources (Uses)					
Transfers in	958,706	958,706	-	-	958,706
Transfers out	-	-	-	-	-
Total other financing sources (uses)	958,706	958,706	-	-	958,706
Net Change in Fund Balances	(888,485)	(112,667)	775,818	582,948	470,281
Fund Balances - Beginning of Year	1,174,332	1,174,332	-	-	1,174,332
Reserved for Encumbrances	-	582,948	582,948	(582,948)	-
Fund Balances - End of Year	\$ 285,847	\$ 1,644,613	\$ 1,358,766	\$ -	\$ 1,644,613

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Senior Citizens Furnishings Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues - Investment Income	\$ 3,285	\$ 5,541	\$ 2,256	\$ -	\$ 5,541
Expenditures - Community improvement	17,000	17,000	-	(9,000)	8,000
Revenues Over (Under) Expenditures	(13,715)	(11,459)	2,256	9,000	(2,459)
Fund Balances - Beginning of Year	247,273	247,273	-	-	247,273
Reserved for Encumbrances	-	9,000	9,000	(9,000)	-
Fund Balances - End of Year	\$ 233,558	\$ 244,814	\$ 11,256	\$ -	\$ 244,814

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ -	\$ 735,663	\$ 735,663	\$ -	\$ 735,663
Miscellaneous revenue	-	75,254	75,254	-	75,254
Investment income	50,000	72,460	22,460	-	72,460
Total revenues	50,000	883,377	833,377	-	883,377
Expenditures					
Public safety	604,953	428,366	176,587	(20,597)	407,769
Utilities	64,300	28,920	35,380	-	28,920
Capital outlay	646,767	542,797	103,970	(78,048)	464,749
Total expenditures	1,316,020	1,000,083	315,937	(98,645)	901,438
Revenues Over (Under) Expenditures	(1,266,020)	(116,706)	1,149,314	98,645	(18,061)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(1,125,000)	(757,448)	367,552	-	(757,448)
Total other financing sources (uses)	(1,125,000)	(757,448)	367,552	-	(757,448)
Net Change in Fund Balances	(2,391,020)	(874,154)	1,516,866	98,645	(775,509)
Fund Balances - Beginning of Year	3,662,115	3,662,115	-	-	3,662,115
Reserved for Encumbrances	-	98,645	98,645	(98,645)	-
Fund Balances - End of Year	\$ 1,271,095	\$ 2,886,606	\$ 1,615,511	\$ -	\$ 2,886,606

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Aid Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernment revenues:					
State sources	\$ 76,000	\$ 85,174	\$ 9,174	\$ -	\$ 85,174
Investment income	2,500	4,845	2,345	-	4,845
Total revenues	78,500	90,019	11,519	-	90,019
Expenditures					
Recreation and culture	233,817	178,264	55,553	(126,855)	51,409
Capital outlay	10,335	9,853	482	-	9,853
Total expenditures	244,152	188,117	56,035	(126,855)	61,262
Revenues Over (Under) Expenditures	(165,652)	(98,098)	67,554	126,855	28,757
Fund Balances - Beginning of Year	231,219	231,219	-	-	231,219
Reserved for Encumbrances	-	126,855	126,855	(126,855)	-
Fund Balances - End of Year	\$ 65,567	\$ 259,976	\$ 194,409	\$ -	\$ 259,976

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 5,910,068	\$ 2,375,059	\$ (3,535,009)	\$ -	\$ 2,375,059
Miscellaneous revenue	173,268	177,713	4,445	-	177,713
Total revenues	6,083,336	2,552,772	(3,530,564)	-	2,552,772
Expenditures - Community improvement	<u>1,909,436</u>	<u>1,186,136</u>	<u>723,300</u>	<u>(41,120)</u>	<u>1,145,016</u>
Revenues Over (Under) Expenditures	4,173,900	1,366,636	(2,807,264)	41,120	1,407,756
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>(4,173,900)</u>	<u>(3,688,060)</u>	<u>485,840</u>	<u>2,280,304</u>	<u>(1,407,756)</u>
Total other financing sources (uses)	<u>(4,173,900)</u>	<u>(3,688,060)</u>	<u>485,840</u>	<u>2,280,304</u>	<u>(1,407,756)</u>
Net Change in Fund Balances	-	(2,321,424)	(2,321,424)	2,321,424	-
Fund Balances - Beginning of Year	-	-	-	-	-
Reserved for Encumbrances	<u>-</u>	<u>2,321,424</u>	<u>2,321,424</u>	<u>(2,321,424)</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Home Weatherization Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 434,399	\$ 115,361	\$ (319,038)	\$ -	\$ 115,361
State sources	50,808	13,234	(37,574)	-	13,234
Investment income	-	519	519	-	519
Total revenues	485,207	129,114	(356,093)	-	129,114
Expenditures - Community improvement	485,207	129,114	356,093	-	129,114
Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-	-
Reserved for Encumbrances	-	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 565,000	\$ 434,070	\$ (130,930)	\$ -	\$ 434,070
Investment income	4,000	10,379	6,379	-	10,379
Total revenues	569,000	444,449	(124,551)	-	444,449
Expenditures					
Recreation and culture	571,100	496,675	74,425	(7,147)	489,528
Capital outlay	43,417	40,693	2,724	-	40,693
Total expenditures	614,517	537,368	77,149	(7,147)	530,221
Revenues Over (Under) Expenditures	(45,517)	(92,919)	(47,402)	7,147	(85,772)
Fund Balances - Beginning of Year	553,648	553,648	-	-	553,648
Reserved for Encumbrances	-	7,147	7,147	(7,147)	-
Fund Balances - End of Year	\$ 508,131	\$ 467,876	\$ (40,255)	\$ -	\$ 467,876

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 20,000
Charges for services	169,834	171,097	1,263	-	171,097
Miscellaneous revenue	79,060	79,060	-	-	79,060
Investment income	4,595	4,595	-	-	4,595
Private source contributions	114,916	114,915	(1)	-	114,915
Total revenues	388,405	389,667	1,262	-	389,667
Expenditures					
General government	107,740	42,838	64,902	-	42,838
Public safety	163,849	65,669	98,180	(5,671)	59,998
Public works	332,805	61,984	270,821	-	61,984
Health and welfare	7,328	2,658	4,670	-	2,658
Recreation and culture	914,768	371,136	543,632	(53,102)	318,034
Community improvement	20,073	20,050	23	-	20,050
Capital outlay	55,049	54,574	475	-	54,574
Total expenditures	1,601,612	618,909	982,703	(58,773)	560,136
Revenues Over (Under) Expenditures	(1,213,207)	(229,242)	983,965	58,773	(170,469)
Other Financing Sources (Uses)					
Transfers in	139,776	127,098	(12,678)	-	127,098
Transfers out	(112,709)	(112,102)	607	-	(112,102)
Total other financing sources (uses)	27,067	14,996	(12,071)	-	14,996
Net Change in Fund Balances	(1,186,140)	(214,246)	971,894	58,773	(155,473)
Fund Balances - Beginning of Year	1,186,140	1,186,140	-	-	1,186,140
Reserved for Encumbrances	-	58,773	58,773	(58,773)	-
Fund Balances - End of Year	\$ -	\$ 1,030,667	\$ 1,030,667	\$ -	\$ 1,030,667

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 2,302,516	\$ 2,321,280	\$ 18,764	\$ -	\$ 2,321,280
Investment income	13,000	35,789	22,789	-	35,789
Total revenues	2,315,516	2,357,069	41,553	-	2,357,069
Expenditures					
General government	407,806	4,606	403,200	-	4,606
Debt service:					
Principal	2,130,000	2,130,000	-	-	2,130,000
Interest and fiscal charges	1,083,793	1,056,028	27,765	-	1,056,028
Total expenditures	3,621,599	3,190,634	430,965	-	3,190,634
Revenues Over (Under) Expenditures	(1,306,083)	(833,565)	472,518	-	(833,565)
Other Financing Sources (Uses)					
Transfers in	1,039,571	1,022,231	(17,340)	-	1,022,231
Total other financing sources (uses)	1,039,571	1,022,231	(17,340)	-	1,022,231
Net Change in Fund Balances	(266,512)	188,666	455,178	-	188,666
Fund Balances - Beginning of Year	325,862	325,862	-	-	325,862
Fund Balances - End of Year	\$ 59,350	\$ 514,528	455,178	\$ -	\$ 514,528

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2005

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 819,294	\$ 5,115	\$ (814,179)	\$ -	\$ 5,115
Federal sources	626,163	106,591	(519,572)	-	106,591
Miscellaneous revenue	2,878,000	166,539	(2,711,461)	-	166,539
Private source contributions	-	294,084	294,084	-	294,084
Investment income	150,566	250,777	100,211	-	250,777
Total revenues	4,474,023	823,106	(3,650,917)	-	823,106
Expenditures					
Capital outlay	22,335,582	9,659,261	12,676,321	(3,293,053)	6,366,208
Debt service:					
Principal	500,000	500,000	-	-	500,000
Interest and fiscal charges	291,795	291,795	-	-	291,795
Total expenditures	23,127,377	10,451,056	12,676,321	(3,293,053)	7,158,003
Revenues Over (Under) Expenditures	(18,653,354)	(9,627,950)	9,025,404	3,293,053	(6,334,897)
Other Financing Sources (Uses)					
Transfers in	4,519,209	3,732,747	(786,462)	-	3,732,747
Transfers out	-	-	-	-	-
Total other financing sources (uses)	4,519,209	3,732,747	(786,462)	-	3,732,747
Net Change in Fund Balances	(14,134,145)	(5,895,203)	8,238,942	3,293,053	(2,602,150)
Fund Balances - Beginning of Year	18,060,173	18,060,173	-	-	18,060,173
Reserved for Encumbrances	-	3,293,053	3,293,053	(3,293,053)	-
Fund Balances - End of Year	\$ 3,926,028	\$15,458,023	\$ 11,531,995	\$ -	\$15,458,023

City of Dearborn, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2005

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 9,936	\$ 285,572	\$ 49,663	\$ 345,171
Investments	257,138	4,573,133	729,042	5,559,313
Accounts receivable (net)	30	2,380	609	3,019
Accrued interest receivable	2,532	45,265	7,216	55,013
Due from other governments	-	38,088	-	38,088
Prepaid items	18,365	40,862	28,702	87,929
Inventories	64,329	-	-	64,329
Total current assets	352,330	4,985,300	815,232	6,152,862
Noncurrent assets:				
Restricted cash and investments:				
Debt service	146,100	-	-	146,100
Investments, long-term	-	1,253,616	199,850	1,453,466
Capital assets (Net)	3,791,051	4,591,556	772,816	9,155,423
Total noncurrent assets	3,937,151	5,845,172	972,666	10,754,989
Total assets	4,289,481	10,830,472	1,787,898	16,907,851
Liabilities				
Current liabilities:				
Accounts payable	35,740	38,277	6,162	80,179
Accrued interest payable	22,766	-	-	22,766
Accrued liabilities	25,027	14,443	-	39,470
Deposits/refunds payable	124,773	128,995	37,590	291,358
Due to other governments	5,579	-	-	5,579
Deferred revenue	31,433	4,180	-	35,613
Current portion of long-term debt	185,000	-	-	185,000
Total current liabilities	430,318	185,895	43,752	659,965
Noncurrent liabilities:				
Other liabilities	15,240	88,950	-	104,190
Long-term debt, net of current portion	2,478,100	-	-	2,478,100
Advance from other funds	350,667	-	-	350,667
Total noncurrent liabilities	2,844,007	88,950	-	2,932,957
Total liabilities	3,274,325	274,845	43,752	3,592,922
Net Assets				
Invested in capital assets, net of debt	777,284	4,591,556	772,816	6,141,656
Restricted for:				
Debt Service	146,100	-	-	146,100
Unrestricted	91,772	5,964,071	971,330	7,027,173
Total net assets	\$ 1,015,156	\$ 10,555,627	\$ 1,744,146	\$ 13,314,929

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2005

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Operating Revenues				
Sales	\$ 599,338	\$ -	\$ -	\$ 599,338
Charges for services	537,698	775,042	-	1,312,740
Rents and royalties	210,265	1,807,183	587,696	2,605,144
Miscellaneous	91,137	13,390	18,857	123,384
Total operating revenues	<u>1,438,438</u>	<u>2,595,615</u>	<u>606,553</u>	<u>4,640,606</u>
Operating Expenses				
Personnel services	708,003	1,419,323	-	2,127,326
Contractual services	55,983	100,035	142,281	298,299
Insurance and bonds	15,730	64,532	53,223	133,485
Utilities	48,741	387,745	89,363	525,849
Repairs and maintenance	14,585	219,152	125,284	359,021
Supplies	65,750	45,816	33,148	144,714
Cost of sales	166,627	-	-	166,627
Cost of rentals	35,283	5,398	-	40,681
Taxes	-	-	101,997	101,997
Depreciation	264,338	241,865	30,964	537,167
Other	69,767	3,196	1,001	73,964
Total operating expenses	<u>1,444,807</u>	<u>2,487,062</u>	<u>577,261</u>	<u>4,509,130</u>
Operating Income (Loss)	(6,369)	108,553	29,292	131,476
Nonoperating Revenues (Expenses)				
Investment income	9,288	133,360	20,693	163,341
Other interest	(157,063)	-	-	(157,063)
Total nonoperating revenues (expenses)	<u>(147,775)</u>	<u>133,360</u>	<u>20,693</u>	<u>6,278</u>
Income (Loss) before Capital Contributions	(154,144)	241,913	49,985	137,754
Capital contributed from grants, developers & other	-	12,000	-	12,000
Net Income (Loss)	(154,144)	253,913	49,985	149,754
Net Assets - Beginning of Year	<u>1,169,300</u>	<u>10,301,714</u>	<u>1,694,161</u>	<u>13,165,175</u>
Net Assets - End of Year	<u>\$ 1,015,156</u>	<u>\$ 10,555,627</u>	<u>\$ 1,744,146</u>	<u>\$ 13,314,929</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2005

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,366,424	\$ 2,543,900	\$ 588,963	\$ 4,499,287
Payments to suppliers	(418,101)	(814,112)	(542,687)	(1,774,900)
Payments to employees	(703,697)	(1,416,046)	-	(2,119,743)
Other receipts (payments)	21,370	10,195	17,856	49,421
Net cash provided (used) by operating activities	265,996	323,937	64,132	654,065
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(263,248)	-	-	(263,248)
Grants and contributions received	-	12,000	-	12,000
Principal paid on debt	(158,400)	-	-	(158,400)
Interest paid on debt	(158,332)	-	-	(158,332)
Repayment of advance from other funds	207,279	-	-	207,279
Net cash provided (used) by capital and related financing activities	(372,701)	12,000	-	(360,701)
Cash Flows from Investing Activities				
Net sale (purchase) of investments	92,028	(704,325)	(120,795)	(733,092)
Investment income	7,775	125,090	19,313	152,178
Net cash provided (used) by investing activities	99,803	(579,235)	(101,482)	(580,914)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,902)	(243,298)	(37,350)	(287,550)
Cash and Cash Equivalents - Beginning of Year	16,838	528,870	87,013	632,721
Cash and Cash Equivalents - End of Year	\$ 9,936	\$ 285,572	\$ 49,663	\$ 345,171

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2005

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (6,369)	\$ 108,553	\$ 29,292	\$ 131,476
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	264,338	241,865	30,964	537,167
Change in assets and liabilities:				
Accounts receivable	(30)	(2,380)	(609)	(3,019)
Due from other governments	-	(38,025)	-	(38,025)
Prepaid items	(2,752)	(1,308)	5,787	1,727
Inventories	(3,151)	-	-	(3,151)
Accounts payable	(12,367)	4,620	(3,178)	(10,925)
Accrued liabilities	2,653	5,255	-	7,908
Customer deposits	17,935	(927)	2,265	19,273
Accrued vacation and sick leave	4,306	3,277	-	7,583
Due to other funds	-	-	-	-
Due to other governments	215	-	-	215
Deferred revenue	1,218	3,007	(389)	3,836
Net cash provided (used) by operating activities	<u>\$ 265,996</u>	<u>\$ 323,937</u>	<u>\$ 64,132</u>	<u>\$ 654,065</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Internal Service Funds June 30, 2005

	Equipment Replacement Fund	Central Garage Fund	Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,156,590	\$ 174,600	\$ 308,567	\$ 245,178	\$ 1,884,935
Investments	193,569	2,792,183	3,648,667	5,007,811	11,642,230
Accounts receivable (Net)	-	-	9,811	-	9,811
Accrued interest receivable	4,712	27,625	36,115	38,903	107,355
Due from other funds	-	140,473	-	1,901,850	2,042,323
Prepaid items	-	17,037	-	1,063,915	1,080,952
Inventories	17,838	180,832	-	-	198,670
Total current assets	<u>1,372,709</u>	<u>3,332,750</u>	<u>4,003,160</u>	<u>8,257,657</u>	<u>16,966,276</u>
Noncurrent assets:					
Restricted cash and investments:					
Construction and equipment	428,216	-	-	-	428,216
Debt service	45,561	-	-	-	45,561
Investment, long-term	-	763,845	1,000,196	-	1,764,041
Property, Plant and Equipment - net	<u>514,197</u>	<u>5,690,742</u>	<u>-</u>	<u>-</u>	<u>6,204,939</u>
Total noncurrent assets	<u>987,974</u>	<u>6,454,587</u>	<u>1,000,196</u>	<u>-</u>	<u>8,442,757</u>
Total assets	<u>2,360,683</u>	<u>9,787,337</u>	<u>5,003,356</u>	<u>8,257,657</u>	<u>25,409,033</u>
Liabilities					
Current liabilities:					
Accounts payable	16,805	160,393	86,752	10,632	274,582
Accrued interest payable	3,895	-	-	-	3,895
Accrued liabilities	-	12,875	-	-	12,875
Due to other governments	-	-	-	142,613	142,613
Due to other funds	-	14,500	-	569,896	584,396
Current portion of long-term debt	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total current liabilities	<u>520,700</u>	<u>187,768</u>	<u>86,752</u>	<u>723,141</u>	<u>1,518,361</u>
Noncurrent liabilities:					
Long-term debt, net of current portion	1,000,000	-	-	-	1,000,000
Other liabilities	-	37,365	-	-	37,365
Claims payable	<u>-</u>	<u>-</u>	<u>2,666,404</u>	<u>3,598,083</u>	<u>6,264,487</u>
Total noncurrent liabilities	<u>1,000,000</u>	<u>37,365</u>	<u>2,666,404</u>	<u>3,598,083</u>	<u>7,301,852</u>
Total liabilities	<u>1,520,700</u>	<u>225,133</u>	<u>2,753,156</u>	<u>4,321,224</u>	<u>8,820,213</u>
Net Assets					
Invested in capital assets, net of debt	309,753	5,690,742	-	-	6,000,495
Reserved for construction and debt	473,777	-	-	-	473,777
Unrestricted	<u>56,453</u>	<u>3,871,462</u>	<u>2,250,200</u>	<u>3,936,433</u>	<u>10,114,548</u>
Total net assets	<u>\$ 839,983</u>	<u>\$ 9,562,204</u>	<u>\$ 2,250,200</u>	<u>\$ 3,936,433</u>	<u>\$ 16,588,820</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2005

	Equipment Replacement Fund	Central Garage Fund	Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
Operating Revenues					
Charges for services	\$ -	\$ 2,759,777	\$ -	\$ -	\$ 2,759,777
Rents and royalties	764,511	1,458,825	-	-	2,223,336
City contributions for insurance premiums	-	-	1,160,908	1,333,718	2,494,626
Miscellaneous	15,606	243,389	38,023	1,201,082	1,498,100
Total operating revenues	780,117	4,461,991	1,198,931	2,534,800	8,975,839
Operating Expenses					
Contractual services	-	-	1,240,634	31,881	1,272,515
Cost of sales	378,825	3,155,981	-	-	3,534,806
Depreciation	115,056	1,217,032	-	-	1,332,088
Insurance and bonds	-	-	88,054	1,036,478	1,124,532
Insurance benefits	-	-	87,372	-	87,372
Claims and judgments	-	-	606,468	1,787,722	2,394,190
Other	-	-	5,077	43,097	48,174
Total operating expenses	493,881	4,373,013	2,027,605	2,899,178	9,793,677
Operating Income (Loss)	286,236	88,978	(828,674)	(364,378)	(817,838)
Nonoperating Revenues (Expenses)					
Investment income	37,908	70,498	102,902	133,847	345,155
Other interest	(45,157)	-	-	-	(45,157)
Other expense	-	-	-	-	-
Total nonoperating revenues (expenses)	(7,249)	70,498	102,902	133,847	299,998
Income (Loss) before Operating Transfers	278,987	159,476	(725,772)	(230,531)	(517,840)
Transfers					
Transfers in	-	364,845	-	700,000	1,064,845
Transfers out	-	-	-	-	-
Net transfers	-	364,845	-	700,000	1,064,845
Net Income (Loss)	278,987	524,321	(725,772)	469,469	547,005
Net Assets - Beginning of Year	560,996	9,037,883	2,975,972	3,466,964	16,041,815
Net Assets - End of Year	\$ 839,983	\$ 9,562,204	\$ 2,250,200	\$ 3,936,433	\$ 16,588,820

City of Dearborn, Michigan

	Equipment Replacement Fund	Central Garage Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 764,511	\$ 4,218,602
Payments to suppliers	(389,442)	(1,813,614)
Payments to employees	-	(1,310,715)
Internal activity	-	(125,973)
Claims paid	-	-
Other receipts (payments)	15,606	243,389
Net cash provided (used) by operating activities	390,675	1,211,689
Cash Flows from Noncapital Financing Activities		
Transfers in	-	364,845
Transfers out	-	-
Net cash provided (used) by noncapital financing activities	-	364,845
Cash Flows from Capital and Related Financing Activities		
Principal paid on debt	(480,000)	-
Prepaid interest on debt	(65,106)	-
Acquisition and construction of capital assets	(292,677)	(892,161)
Net cash provided (used) by capital and related financing activities	(837,783)	(892,161)
Cash Flows from Investing Activities		
Net sale (purchase) of investments	1,545,063	(851,727)
Investment income	35,158	62,404
Net cash provided (used) by investing activities	1,580,221	(789,323)
Net Increase (Decrease) in Cash and Cash Equivalents	1,133,113	(104,950)
Cash and Cash Equivalents - Beginning of Year	23,477	279,550
Cash and Cash Equivalents - End of Year	<u>\$ 1,156,590</u>	<u>\$ 174,600</u>

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2005

Workers' Compensation and Employee Insurance Fund	General Liability Insurance Fund	Total
\$ 1,171,749	\$ 1,333,718	\$ 7,488,580
(1,380,216)	(864,028)	(4,447,300)
-	-	(1,310,715)
63,445	(1,669,551)	(1,732,079)
-	(769,486)	(769,486)
32,946	1,157,985	1,449,926
(112,076)	(811,362)	678,926
-	700,000	1,064,845
-	-	-
-	700,000	1,064,845
-	-	(480,000)
-	-	(65,106)
-	-	(1,184,838)
-	-	(1,729,944)
(216,969)	(262,349)	214,018
98,796	129,217	325,575
(118,173)	(133,132)	539,593
(230,249)	(244,494)	553,420
538,816	489,672	1,331,515
<u>\$ 308,567</u>	<u>\$ 245,178</u>	<u>\$ 1,884,935</u>

City of Dearborn, Michigan

	Equipment Replacement Fund	Central Garage Fund
Reconciliation of Operating Income		
(Loss) to Net Cash Provided (Used) by		
Operating Activities:		
Operating income (loss)	\$ 286,236	\$ 88,978
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	115,056	1,217,032
Change in assets and liabilities:		
Accounts receivable	-	-
Due from other funds	-	(140,473)
Prepaid items	-	(1,310)
Inventories	4,025	(44,346)
Accounts payable	(14,642)	76,901
Accrued liabilities	-	4,369
Accrued vacation and sick leave	-	(3,962)
Due to other funds	-	14,500
Due to other governments	-	-
Claims payable	-	-
Net cash provided (used) by operating activities	<u>\$ 390,675</u>	<u>\$ 1,211,689</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2005**

Workers' Compensation and Employee Insurance Fund	General Liability Insurance Fund	Total
<hr/>		
\$ (828,674)	\$ (364,378)	\$ (817,838)
-	-	1,332,088
(1,928)	-	(1,928)
63,445	(1,601,850)	(1,678,878)
-	(48,729)	(50,039)
-	-	(40,321)
48,613	9,351	120,223
-	-	4,369
-	-	(3,962)
-	(67,701)	(53,201)
-	243,708	243,708
606,468	1,018,237	1,624,705
<hr/>		
<u>\$ (112,076)</u>	<u>\$ (811,362)</u>	<u>\$ 678,926</u>

City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 6,102	\$ 9,027	\$ 10
Investments - short-term	1,280,211	2,360,823	429,031
Receivables:			
Interest and dividends	372,607	575,214	164,607
Other	93,362	432,525	-
Investments, at fair value:			
Long-term bonds	57,679,686	90,579,930	22,643,627
Common stock	6,204,599	9,874,420	-
Collateral pledged on securities loaned	4,292,681	10,560,279	1,540,910
Real estate	3,573,143	4,305,765	1,823,867
Mutual funds	52,593,942	95,630,222	13,623,589
Limited partnerships	761,477	925,118	377,701
Total investments	<u>125,105,528</u>	<u>211,875,734</u>	<u>40,009,694</u>
Total assets	<u>126,857,810</u>	<u>215,253,323</u>	<u>40,603,342</u>
Liabilities			
Accounts payable	78,747	195,488	264,104
Deferred revenue	-	55,715	-
Amounts due to broker under securities lending agreement	4,292,681	10,560,279	1,540,910
Total liabilities	<u>4,371,428</u>	<u>10,811,482</u>	<u>1,805,014</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 122,486,382</u>	<u>\$ 204,441,841</u>	<u>\$ 38,798,328</u>

Combining Statement of Net Assets
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2005

Retiree Death Benefit Fund	Postretirement Healthcare Fund	Total
\$ 141,141	\$ 157,202	\$ 313,482
2,262,600	2,703,562	9,036,227
22,396	120,775	1,255,599
-	389,877	915,764
620,238	9,035,873	180,559,354
-	11,308,922	27,387,941
-		16,393,870
-	-	9,702,775
-	-	161,847,753
-	-	2,064,296
<u>620,238</u>	<u>20,344,795</u>	<u>397,955,989</u>
<u>3,046,375</u>	<u>23,716,211</u>	<u>409,477,061</u>
4,500	-	542,839
-	-	55,715
-	-	16,393,870
<u>4,500</u>	<u>-</u>	<u>16,992,424</u>
 <u>\$ 3,041,875</u>	 <u>\$ 23,716,211</u>	 <u>\$ 392,484,637</u>

City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 2,423,808	\$ 3,772,193	\$ 1,109,004
Net increase in value of investments	<u>8,681,796</u>	<u>14,103,892</u>	<u>2,470,182</u>
Net investment income	<u>11,105,604</u>	<u>17,876,085</u>	<u>3,579,186</u>
Contributions:			
Employer	3,364,143	4,581,130	-
Employee	155	1,103,695	-
Other income	<u>427</u>	<u>793</u>	<u>-</u>
Total contributions	<u>3,364,725</u>	<u>5,685,618</u>	<u>-</u>
Total additions	14,470,329	23,561,703	3,579,186
Deductions			
Benefit payments	7,911,916	8,041,987	4,020,558
Refunds of contributions	121,818	585,409	-
Administrative expenses	<u>371,836</u>	<u>562,027</u>	<u>108,473</u>
Total deductions	<u>8,405,570</u>	<u>9,189,423</u>	<u>4,129,031</u>
Change in Net Assets	6,064,759	14,372,280	(549,845)
Net Assets - Beginning of Year	116,421,623	190,069,561	39,348,173
Net Assets - End of Year	<u>\$ 122,486,382</u>	<u>\$ 204,441,841</u>	<u>\$ 38,798,328</u>

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2005**

Retiree Death Benefit Fund	Postretirement Healthcare Fund	Total
\$ 67,419	\$ 774,716	\$ 8,147,140
-	648,214	25,904,084
<u>67,419</u>	<u>1,422,930</u>	<u>34,051,224</u>
-	9,079,900	17,025,173
12,945	-	1,116,795
-	544,528	545,748
<u>12,945</u>	<u>9,624,428</u>	<u>18,687,716</u>
80,364	11,047,358	52,738,940
65,500	7,382,717	27,422,678
-	-	707,227
-	31,305	1,073,641
<u>65,500</u>	<u>7,414,022</u>	<u>29,203,546</u>
14,864	3,633,336	23,535,394
3,027,011	20,082,875	368,949,243
<u>\$ 3,041,875</u>	<u>\$ 23,716,211</u>	<u>\$ 392,484,637</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Fiduciary Agency Funds June 30, 2005

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 2,043,063	\$ 72,522	\$ 75,000	\$ 2,190,585
Investments - Short-term	1,007,379	1,485,648	-	2,493,027
Accounts Receivable (Net)	10,678	-	289,158	299,836
Accrued interest receivable	7,826	11,541	-	19,367
Due from other funds	67	-	-	67
Total assets	<u>\$ 3,069,013</u>	<u>\$ 1,569,711</u>	<u>\$ 364,158</u>	<u>\$ 5,002,882</u>
Liabilities				
Accounts payable	\$ 416,159	\$ 664,811	\$ 55,800	\$ 1,136,770
Deposits/refunds payable	2,462,767	-	-	2,462,767
Due to other governments	37,923	904,900	308,358	1,251,181
Other liabilities	152,164	-	-	152,164
Total liabilities	<u>\$ 3,069,013</u>	<u>\$ 1,569,711</u>	<u>\$ 364,158</u>	<u>\$ 5,002,882</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2005

Agency Fund:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and cash equivalents	\$ 859,297	\$ 168,328,134	\$ 167,144,368	\$ 2,043,063
Investments - Short-term	732,752	1,007,379	732,752	1,007,379
Accounts Receivable (Net)	13,045	10,678	13,045	10,678
Accrued interest receivable	5,292	7,826	5,292	7,826
Due from other funds	-	67	-	67
Due from other governments	3,572	-	3,572	-
Total assets	<u>\$ 1,613,958</u>	<u>\$ 169,354,084</u>	<u>\$ 167,899,029</u>	<u>\$ 3,069,013</u>
Liabilities				
Accounts payable	\$ 176,900	\$ 1,266,255	\$ 1,026,996	\$ 416,159
Deposits/refunds payable	1,262,260	6,284,939	5,084,432	2,462,767
Special programs	-	88,935	88,935	-
Due to other funds	2,152	201	2,353	-
Due to other governments	24,470	161,438,111	161,424,658	37,923
Other liabilities	148,176	275,643	271,655	152,164
Total liabilities	<u>\$ 1,613,958</u>	<u>\$ 169,354,084</u>	<u>\$ 167,899,029</u>	<u>\$ 3,069,013</u>

Imprest Payroll Fund:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and cash equivalents	\$ 164,848	\$ 73,845,651	\$ 73,937,977	\$ 72,522
Investments - Short-term	1,597,553	1,485,649	1,597,554	1,485,648
Accrued interest receivable	11,538	11,541	11,538	11,541
Total assets	<u>\$ 1,773,939</u>	<u>\$ 75,342,841</u>	<u>\$ 75,547,069</u>	<u>\$ 1,569,711</u>
Liabilities				
Payroll deductions payable	\$ 802,364	\$ 36,873,302	\$ 37,010,855	\$ 664,811
Due to other funds	63,445	18,673,173	18,736,618	-
Due to other governments	908,130	16,713,377	16,716,607	904,900
Other liabilities	-	3,082,989	3,082,989	-
Total liabilities	<u>\$ 1,773,939</u>	<u>\$ 75,342,841</u>	<u>\$ 75,547,069</u>	<u>\$ 1,569,711</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2005

District Court Fund:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and cash equivalents	\$ 75,000	\$ 4,336,246	\$ 4,336,246	\$ 75,000
Accounts Receivable (Net)	182,167	1,339,165	1,232,174	289,158
Total assets	<u>\$ 257,167</u>	<u>\$ 5,675,411</u>	<u>\$ 5,568,420</u>	<u>\$ 364,158</u>
Liabilities				
Accounts payable	\$ 55,800	\$ 3,023,214	\$ 3,023,214	\$ 55,800
Due to other governments	201,367	2,652,197	2,545,206	308,358
Total liabilities	<u>\$ 257,167</u>	<u>\$ 5,675,411</u>	<u>\$ 5,568,420</u>	<u>\$ 364,158</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and cash equivalents	\$ 1,099,145	\$ 246,510,031	\$ 245,418,591	\$ 2,190,585
Investments - Short-term	2,330,305	2,493,028	2,330,306	2,493,027
Accounts Receivable (Net)	195,212	1,349,843	1,245,219	299,836
Accrued interest receivable	16,830	19,367	16,830	19,367
Due from other funds	-	67	-	67
Due from other governments	3,572	-	3,572	-
Total assets	<u>\$ 3,645,064</u>	<u>\$ 250,372,336</u>	<u>\$ 249,014,518</u>	<u>\$ 5,002,882</u>
Liabilities				
Accounts payable	\$ 232,700	\$ 4,289,469	\$ 4,050,210	\$ 471,959
Payroll deductions payable	802,364	36,873,302	37,010,855	664,811
Deposits/refunds payable	1,262,260	6,284,939	5,084,432	2,462,767
Special programs	-	88,935	88,935	-
Due to other funds	65,597	18,673,374	18,738,971	-
Due to other governments	1,133,967	180,803,685	180,686,471	1,251,181
Other liabilities	148,176	3,358,632	3,354,644	152,164
Total liabilities	<u>\$ 3,645,064</u>	<u>\$ 250,372,336</u>	<u>\$ 249,014,518</u>	<u>\$ 5,002,882</u>

Statistical Section

The statistical section presents comparative supplemental data on general governmental expenditures by function; general governmental revenues by source; statement of property taxes levied, collected and outstanding; adjusted assessed value and estimated full value; statement of property tax rates (all taxing units); principal taxpayers; special assessment billings and collections; computation of legal debt margin; ratio of net general obligation bonded debt; ratio of annual debt service expenditures; computation of direct and overlapping bonded debt; revenue bond coverages; demographic statistics; property value, construction and bank deposits; and labor force statistics.

City of Dearborn, Michigan

Fiscal Year	General Government	Public Safety	Public Works	Health & Welfare	Recreation & Culture
2005	\$ 17,802,197	\$ 47,448,269	\$ 18,740,517	\$ 951,384	\$ 16,625,373
2004	17,137,937	40,209,968	19,752,523	898,637	15,719,462
2003	16,607,919	39,361,005	18,421,532	985,036	15,490,932
2002	19,636,300	38,231,734	21,290,195	1,245,330	15,577,675
2001	15,640,548	35,558,210	16,169,564	1,481,841	12,172,084
2000	14,790,708	34,656,797	17,895,920	1,753,200	10,847,849
1999	14,603,777	33,714,411	16,634,184	1,781,441	11,441,459
1998	16,041,650	33,369,633	14,960,691	1,486,508	10,093,579
1997	14,822,333	32,056,716	13,707,848	1,369,790	10,202,842
1996	17,118,468	30,383,819	13,759,803	1,286,123	10,431,717

(1) Includes General, Special Revenue and Debt Service Funds.

Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Utilities	Capital Outlay/Projects	Community Improvement	Debt Service	Total
\$ 4,060,359	\$ 2,007,232	\$ 1,856,829	\$ 3,186,028	\$ 112,678,188
3,840,690	1,644,692	2,048,431	2,522,128	103,774,468
3,987,263	2,007,908	2,097,139	2,257,675	101,216,409
3,670,306	1,940,329	2,044,095	2,263,125	105,899,089
3,667,627	3,863,793	1,850,578	2,210,975	92,615,220
3,197,104	6,754,395	2,176,281	2,177,625	94,249,879
3,372,766	3,089,470	2,168,819	2,067,224	88,873,551
3,231,120	4,022,101	2,236,427	-	85,441,709
3,300,035	3,421,016	1,836,871	1,275,251	81,992,702
3,506,222	2,999,269	1,952,378	1,398,752	82,836,551

City of Dearborn, Michigan

Fiscal Year	Tax Assessments & Penalty	Payments in Lieu of Taxes	Licenses & Permits	Inter- governmental	Charges for Services
2005	\$ 70,852,112	\$ 784,734	\$ 2,484,862	\$ 21,906,112	\$ 9,605,652
2004	70,148,820	1,076,656	3,012,402	22,023,789	9,910,066
2003	67,511,503	1,024,090	2,567,285	21,049,022	8,576,251
2002	64,372,548	995,611	2,194,914	22,735,774	7,807,213
2001	61,926,600	1,439,085	3,738,384	20,368,302	5,685,870
2000	60,668,500	489,324	3,011,125	23,246,635	6,165,817
1999	59,673,187	881,664	3,581,248	22,864,590	5,520,853
1998	55,636,265	368,142	3,535,801	20,683,305	5,419,994
1997	53,598,691	416,100	2,807,771	17,454,317	4,620,493
1996	51,515,879	374,506	2,281,597	18,218,005	4,708,621

- (1) Includes General, Special Revenue and Debt Service Funds.
 (2) Includes \$384,150 of private contributions to the Designated Purposes Fund.

Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fines & Forfeitures		Miscellaneous	Rents & Royalties	Interest	Total
\$	3,615,747	\$ 2,163,629	\$ 5,066,367	\$ 1,858,184	\$ 118,337,399
	3,722,143	2,013,310	4,860,730	1,032,094	117,800,010
	4,093,236	2,336,187	4,824,692	1,418,769	113,401,035
	4,951,743	2,204,916	4,441,195	2,247,319	111,951,233
	4,242,159	1,562,846 (2)	3,881,396	4,798,978	107,643,620
	3,830,334	1,093,404	3,640,486	4,326,542	106,472,167
	3,813,800	2,937,016	3,730,243	3,819,643	106,822,244
	3,684,662	1,808,351	3,345,316	3,586,036	98,067,872
	3,566,059	1,338,068	3,343,998	3,179,260	90,324,757
	3,242,528	1,736,122	2,997,207	3,093,404	88,167,869

City of Dearborn, Michigan

Collection Period July 1 to February 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax
2004-2005	2004	\$ 65,902,430	\$63,585,712	96.5%	\$2,316,718
2003-2004	2003	64,668,527	62,830,392	97.2%	1,838,135
2002-2003	2002	63,690,538	61,096,759	95.9%	2,593,779
2001-2002	2001	60,993,513	59,572,542	97.7%	1,420,971
2000-2001	2000	58,709,163	57,383,776	97.7%	1,325,387
1999-2000	1999	57,839,175	56,724,431	98.1%	1,114,744
1998-1999	1998	56,114,743	54,739,079	97.5%	1,375,664
1997-1998	1997	54,261,356	53,261,910	98.2%	999,446
1996-1997	1996	52,438,176	51,574,376	98.4%	863,800
1995-1996	1995	50,130,245	49,284,924	98.3%	845,321

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2004-2005	Prior Fiscal Years	Total
2004	\$ 2,316,718	\$ 53,787	\$ -	\$ 53,787
2003	1,838,135	1,647,668	81,939	1,729,607
2002	2,593,779	252,009	1,846,227	2,098,236
2001	1,420,971	45,496	1,596,191	1,641,687
2000	1,325,387	6,177	1,391,874	1,398,051
1999	1,114,744	7,686	1,096,992	1,104,678
1998	1,375,664	-	1,322,013	1,322,013
1997	999,446	42	966,599	966,641
1996	863,800	717	901,939	902,656
1995	845,321	-	799,361	799,361

**Statement of Property Taxes Levied, Collected and Outstanding
June 30, 2005**

Delinquent Tax Collections	Delinquent Balance as of June 30, 2005	Cumulative Collections (Current and Delinquent)	Percent Collected
\$ 27,805	\$ 2,288,913	\$ 63,613,517	96.5%
1,453,155	384,980	64,283,547	99.4%
1,603,250	990,529	62,700,009	98.4%
1,339,365	81,606	60,911,907	99.9%
1,287,483	37,904	58,671,259	99.9%
1,036,270	78,474	57,760,701	99.9%
1,297,583	78,081	56,036,662	99.9%
965,377	34,069	54,227,287	99.9%
813,035	50,765	52,387,411	99.9%
845,321	-	50,130,245	100.0%

Adjustments	Delinquent Balance as of June 30, 2005
\$ 25,982	\$ 2,288,913
276,452	384,980
494,986	990,529
302,322	81,606
110,568	37,904
68,408	78,474
24,430	78,081
1,264	34,069
89,621	50,765
(45,960)	-

City of Dearborn, Michigan

Fiscal Year	Real Property	Personal Property	Total	Settlement Reduction (1)
2005	\$3,520,075,103	\$1,210,303,281	\$ 4,730,378,384	\$ -
2004	3,399,093,627	1,231,677,660	4,630,771,287	-
2003	3,268,852,100	1,284,051,700	4,552,903,800	-
2002	2,968,921,732	1,339,847,290	4,308,769,022	-
2001	2,826,497,799	1,288,684,550	4,115,182,349	-
2000	2,677,241,416	1,359,409,050	4,036,650,466	-
1999	2,609,061,471	1,328,309,454	3,937,370,925	-
1998	2,489,679,988	1,304,871,500	3,794,551,488	-
1997	2,417,775,834	1,241,402,900	3,659,178,734	-
1996	2,452,849,944	1,263,958,475	3,716,808,419	243,497,850

- (1) A settlement was reached with Rouge Steel Company, which resulted in a decrease in the assessed value of real and personal property.

**Adjusted Assessed Value and Estimated Full Value of Taxable Property
Last Ten Fiscal Years**

Total After Settlement	Full Value After Settlement	Percentage Assessed to Full Value
\$ 4,730,378,384	\$9,460,756,768	50%
4,630,771,287	9,261,542,574	50%
4,552,903,800	9,105,807,600	50%
4,308,769,022	8,617,538,044	50%
4,115,182,349	8,230,364,698	50%
4,036,650,466	8,073,300,932	50%
3,937,370,925	7,874,741,850	50%
3,794,551,488	7,589,102,976	50%
3,659,178,734	7,318,357,468	50%
3,473,310,569	6,946,621,138	50%

City of Dearborn, Michigan

Direct and Overlapping Government Schedule of Tax Rates (All Taxing Units) (per thousand dollars of state equalized valuation)

Year	City Tax	School Tax Nonhomestead School Tax	Homestead School Tax	State Education Tax (1)	County Tax	Total Nonhomestead Tax	Total Homestead Tax
Dearborn School District							
2004	15.27	28.3439	15.9999	6.00	8.6354	58.2493	45.9053
2003	15.29	27.9839	15.8760	5.00	8.6361	56.9100	44.8021
2002	15.32	27.7778	15.8825	6.00	8.6390	57.7368	45.8415
2001	15.33	24.3688	12.4735	6.00	8.3905	54.0893	42.1940
2000	15.33	24.3724	12.4771	6.00	8.4039	54.1063	42.2110
1999	15.28	24.4230	12.5720	6.00	8.4572	54.1602	42.3092
1998	15.38	24.4771	12.6471	6.00	8.4825	54.3396	42.5096
1997	14.78	24.6271	12.7971	6.00	8.4826	53.8897	42.0597
1996	14.78	24.7671	12.9371	6.00	8.4826	54.0297	42.1997
1995	14.78	24.6571	12.8271	6.00	8.2326	53.6697	41.8397
Westwood School District							
2004	15.27	23.9574	6.2917	6.00	11.1198	56.3472	38.6815
2003	15.29	24.3127	6.3433	5.00	11.1223	55.7250	37.7556
2002	15.32	24.3363	6.3669	6.00	11.1252	56.7815	38.8121
2001	15.33	22.9111	4.9129	6.00	10.8900	55.1311	37.1329
2000	15.33	22.9498	4.9498	6.00	9.4039	53.6837	35.6837
1999	15.28	22.9840	4.9840	6.00	9.4762	53.7402	35.7402
1998	15.38	22.9971	4.9971	6.00	9.6314	54.0085	36.0085
1997	14.78	22.9971	4.9971	6.00	9.6739	53.4510	35.4510
1996	14.78	22.9971	4.9971	6.00	9.6845	53.4616	35.4616
1995	14.78	22.9971	4.9971	6.00	9.5064	53.2835	35.2835

Tax due dates: City and Dearborn School District - July 1
County and Westwood School District - December 1

(1) State Education Tax is applied to both Homestead and Nonhomestead property.

City of Dearborn, Michigan

Principal Taxpayers June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Ford Motor Company	Auto and financial services	\$ 1,095,165,525	23.15%
Severstal North America, Inc.	Steel company	154,146,859	3.26%
Dearborn Industrial Generation	Electric Generation	91,309,850	1.93%
Visteon	Auto parts	62,138,441	1.31%
Fairlane Town Center	Shopping mall	47,847,950	1.01%
Detroit Edison	Electric utility	45,777,533	0.97%
Hallwood Management Co.	Realty company	37,338,913	0.79%
AAA of Michigan	Insurance	37,077,713	0.78%
Hyatt Regency Hotel	Hotel	24,256,308	0.51%
Lear Corporation	Auto supplies	<u>22,103,561</u>	<u>0.47%</u>
Total taxable value of 10 largest taxpayers		1,617,162,653	34.18%
Total taxable value of all other taxpayers		<u>3,113,215,731</u>	<u>65.82%</u>
Total taxable value of all taxpayers		<u>\$ 4,730,378,384</u>	<u>100.00%</u>

City of Dearborn, Michigan

Special Assessment Billings and Collections Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collections (1)</u>
2005	\$ 350,217	\$ 320,821
2004	348,456	507,791
2003	476,259	266,149
2002	241,692	334,856
2001	260,282	480,040
2000	784,485	423,262
1999	285,890	245,883
1998	479,286	220,511
1997	274,511	259,771
1996	264,871	265,928

(1) Includes prepayments and foreclosures.

City of Dearborn, Michigan

Computation of Legal Debt Margin June 30, 2005

Assessed valuations at December 31, 2004	\$ 4,974,031,683
Assessed value equivalent of Single Business Tax (1)	<u>(127,102,540)</u>
Total assessed value	<u><u>\$ 4,846,929,143</u></u>
Legal debt margin:	
Debt limitation - 10 percent of total assessed value	\$ 484,692,914
Debt applicable to limitation:	
Total bonded debt	\$102,565,498
Less: Revenue bonds	(24,953,267)
Amount available for repayment of general obligation bonds	<u>(514,528)</u>
Total debt applicable to limitation	<u><u>77,097,703</u></u>
Legal debt margin	<u><u>\$ 407,595,211</u></u>

- (1) This represents the assessed value of the amount paid by the state to the City during the fiscal year for the City's use pursuant to Sections 134 and 136 (1), (2), and (3) of the Single Business Tax Act, (Act No. 228 of the Public Acts of 1975, being sections 209.134 and 208.136 of the Michigan Compiled Laws).

City of Dearborn, Michigan

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Population (1)	Adjusted Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable from Enterprise Revenues (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005	97,775	\$ 4,730,378,384	\$ 102,565,498	\$ 514,528	\$ 72,085,927	\$ 29,965,043	0.63%	306
2004	97,775	4,630,771,287	75,224,908	325,862	41,613,191	33,285,855	0.72%	340
2003	97,775	4,552,903,800	64,099,410	350,940	30,346,520	33,401,950	0.73%	341
2002	97,775	4,308,769,022	62,992,766	291,545	26,902,725	35,798,496	0.83%	366
2001	97,775	4,115,182,349	66,805,210	247,348	28,505,281	38,052,581	0.92%	389
2000	92,600	4,036,650,466	70,487,397	198,553	30,141,632	40,147,212	0.99%	434
1999	95,660	3,937,370,925	73,823,731	349,824	31,688,083	41,785,824	1.06%	437
1998	93,400	3,794,551,488	76,797,693	77,195	33,242,393	43,478,105	1.15%	466
1997	84,306	3,659,178,734	45,756,075	-	34,246,789	11,509,286	0.31%	137
1996	84,858	3,473,310,569	46,350,870	-	34,493,727	11,857,143	0.34%	140

(1) Estimates by the Southeast Michigan Council of Governments for 1995-1997. Years 1998-2000 the source is Sales and Marketing Management. Year 2001, 2002, 2003 and 2004 are actual Bureau of Census 2000 census data.

(2) This amount is for payment of 1990, 1994, 1995, 2002 and 2004 Sewer Revenue Bonds and Municipal Building Authority General Obligation Limited Tax bonds Series 1998.

City of Dearborn, Michigan

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Debt Service	Total Governmental Expenditures (1)	Ratio of Debt Service to Governmental Expenditures
2005	\$ 2,630,000	\$ 1,347,823	\$ 3,977,823	\$ 112,678,188	3.5%
2004	2,465,000	1,842,076	4,307,076	103,774,468	4.2%
2003	2,340,000	1,707,568	4,047,568	101,216,409	4.0%
2002	2,215,000	1,839,548	4,054,548	105,899,089	3.8%
2001	2,050,000	1,961,452	4,011,452	92,615,220	4.3%
2000	1,910,000	2,074,138	3,984,138	94,249,879	4.2%
1999	1,310,000	2,208,006	3,518,006	88,873,551	4.0%
1998	380,000	641,102	1,021,102	85,441,709	1.2%
1997	355,000	671,025	1,026,025	81,992,702	1.3%
1996	-	388,472	388,472	82,836,551	0.5%

(1) Includes General, Special Revenue and Debt Service Funds.

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2005

Jurisdiction	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita
Direct - City of Dearborn	\$ 30,489,918	100%	\$ 30,489,918	312
Overlapping (1):				
Dearborn School District	208,177,000		198,226,139	2,027
Westwood School District	370,000		24,383	-
Wayne County at Large	113,048,753		10,332,656	107
Wayne County Community College	<u>67,830,000</u>		<u>40,698</u>	<u>-</u>
Total Overlapping Debt	<u>389,425,753</u>		<u>208,623,876</u>	<u>2,134</u>
Grand Total	<u>\$ 419,915,671</u>		<u>\$ 239,113,794</u>	<u>2,446</u>

(1) Overlapping debt figures supplied by the Municipal Advisory Council of Michigan.

City of Dearborn, Michigan

Sewage Disposal System Limited Tax Revenue Bonds Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2005	\$20,633,639	\$ 15,920,043	\$ 4,713,596	\$ 1,790,000	\$ 1,187,406	\$ 2,977,406	158%
2004	18,858,158	15,072,744	3,785,414	1,640,000	1,158,476	2,798,476	135%
2003	16,409,603	13,368,916	3,040,687	1,330,000	1,187,154	2,517,154	121%
2002	16,114,625	12,798,449	3,316,176	1,265,000	1,206,391	2,471,391	134%
2001	15,711,210	11,690,400	4,020,810	1,505,000	1,291,876	2,796,876	144%
2000	17,338,960	11,441,651	5,897,309	1,425,000	1,377,498	2,802,498	210%
1999	14,432,112	9,549,518	4,882,594	1,357,374	1,461,463	2,818,837	173%
1998	12,862,727	9,710,085	3,152,642	1,310,000	1,535,816	2,845,816	111%
1997	12,631,450	9,527,133	3,104,317	1,213,720	1,599,435	2,813,155	110%
1996	12,667,950	8,810,691	3,857,259	180,000	1,628,081	1,808,081	213%

(1) Total operating expenses exclusive of depreciation.

City of Dearborn, Michigan

Demographic Statistics Last Ten Fiscal Years

Year Ended December 31	Population (1)	EBI Income (2)	Median Age (3)	Public School Enrollment (4)	Average Annual Unemployment Rate (5)
2005	97,775	N/A	N/A	17,690	5.7% (6)
2004	97,775	N/A	N/A	17,668	5.4%
2003	97,775	N/A	N/A	17,566	4.3%
2002	97,775	N/A	N/A	17,632	3.5%
2001	97,775	N/A	N/A	17,147	2.9%
2000	92,600	44,560	34.0	17,222	1.9%
1999	95,600	N/A	N/A	16,699	2.0%
1998	93,400	39,778	N/A	16,271	2.1%
1997	84,306	38,592	N/A	15,893	2.3%
1996	84,858	38,578	N/A	15,669	2.5%

(1) Estimates by the Southeast Michigan Council of Governments for calendar years 1995-1997. Years 1998-2000 the source is Sales and Marketing Management. Year 2001-2005 is actual Bureau of Census data.

(2) Effective buying income on a calendar year basis from Sales and Marketing Management. Some of the information is not available.

(3) Some of the information is not available.

(4) Provided by Dearborn Board of Education. Based on school district boundary. Grades K-12, plus special education.

(5) As reported by the Michigan Employment Security Commission.

(6) Year 2005 is a eight-month average rate (January through August).

City of Dearborn, Michigan

Fiscal Year	Property Value		
	Industrial & Commercial	Residential	Total
2005	\$1,545,362,588	\$1,974,712,515	\$ 3,520,075,103
2004	1,504,809,978	1,894,283,649	3,399,093,627
2003	1,444,284,363	1,824,567,737	3,268,852,100
2002	1,245,955,436	1,722,966,296	2,968,921,732
2001	1,197,164,713	1,629,333,086	2,826,497,799
2000	1,121,915,481	1,555,325,935	2,677,241,416
1999	1,115,532,461	1,493,529,010	2,609,061,471
1998	1,056,604,574	1,433,075,414	2,489,679,988
1997	1,033,569,574	1,384,206,260	2,417,775,834
1996	1,008,054,642	1,353,842,502	2,361,897,144
1995	979,566,350	1,314,695,551	2,294,261,901

(1) From Federal Deposit Insurance Corporation (FDIC) website.

Property Values, Construction and Bank Deposits Last Ten Fiscal Years

Commercial -		Residential -		Bank Deposits	
Number of	Value	Number of	Value	(\$000)	(1)
Permits		Permits			
364	\$ 73,321,856	1,680	\$ 3,601,544	\$	N/A
356	137,311,047	1,959	26,701,877		1,744,489
267	70,496,653	2,604	54,500,675		1,684,738
740	80,593,025	1,745	27,532,421		1,679,984
860	240,929,749	3,166	35,738,294		1,729,003
920	163,725,721	5,662	42,484,562		1,748,663
971	194,291,713	5,861	42,268,183		1,675,173
843	192,429,318	5,908	49,588,555		1,690,548
979	120,526,994	5,512	37,581,343		1,668,254
796	73,066,443	5,408	33,738,518		1,700,092
885	103,008,899	5,814	31,263,604		1,651,296

City of Dearborn, Michigan

**Labor Force
June 30, 2005**

A breakdown of the number of employees of the City of Dearborn and their affiliation with organized groups is as follows:

<u>Employees</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expiration</u>
Supervisors and technicians	88	Sup./Tech. & Prof. Emo. Union	6/30/04
Operative	145	Teamsters Local #214	6/30/04
Clerical workers	124	Muni. Workers of Dearborn - Clerical	6/30/04
Supervisory police	30	Dearborn Police Supr., Assoc. Lieut. & Sgt.	6/30/05
Nonsupervisory police	148	Nonsupervisory police	6/30/06
Dispatchers	13	Dispatchers	6/30/07
Dispatch supervisors	6	Supervisor dispatchers	6/30/04
Administrator	56	Exec. & Admin. Unit	N/A
Firefighters	120	Intl. Assoc. of Firefighters	6/30/06
Police Commanders	3	Police inspectors	N/A tied to supervisory police
19th District Court	34	19th District Court	6/30/07
Elected and appointed officials	<u>21</u>	Nonaffiliated	N/A
Total	<u>788</u>		

City of Dearborn, Michigan

**Federal Awards
Supplemental Information
June 30, 2005**

City of Dearborn, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

We have audited the basic financial statements of the City of Dearborn, Michigan for the year ended June 30, 2005 and have issued our report thereon dated October 17, 2005. Those basic financial statements are the responsibility of the management of the City of Dearborn, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Dearborn, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 17, 2005

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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

We have audited the financial statements of the City of Dearborn, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated October 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dearborn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

This report is intended solely for the information and use of the finance committee, city council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 17, 2005

**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Compliance

We have audited the compliance of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. The major federal program of the City of Dearborn, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dearborn, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dearborn, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-01.

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Internal Control Over Compliance

The management of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, city council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 17, 2005

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Energy - Passed through Family Independence Agency - Weatherization Program	81.042	\$ 64,954
U.S. Department of Health and Human Services - Passed through Family Independence Agency - Home Weatherization Program	93.568	51,880
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant	14.218	2,489,580
Emergency Shelter Grant	14.231	83,514
Passed through Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund	14.239	<u>63,192</u>
Total Department of Housing and Urban Development		2,636,286
U.S. Environmental Protection Agency:		
Direct program - Brownfield Revolving Loan	66.811	20,000
Passed through County of Wayne, Michigan:		
Rouge River National Demonstration - A & B	66.606	8,997,686
Downspout Disconnection Program	66.606	1,440
Rouge River Gateway Greenway Trail	66.606	34,488
Instream Dissolved Oxygen Augmentation Program	66.606	72,103
Passed through Michigan Department of Environmental Quality State Revolving Fund Loan - Combined Sewer Overflow Phase A	66.458	<u>1,711,890</u>
Total U.S. Environmental Protection Agency		10,837,607
U.S. Department of Homeland Security:		
Direct program - Assistance to Firefighters Grant	83.554	70,035
Passed through Michigan Department of State Police - Civil Preparedness Program	83.503	<u>28,889</u>
Total U.S. Department of Homeland Security		98,924

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct programs:		
Local Law Enforcement Block Grant	16.592	\$ 146,435
Bullet Proof Vest Program	16.607	12,758
COPS MORE Technology Grant	16.710	72,408
Homeland Security Overtime Program	16.710	33,113
Crime Lab Improvement Program	16.564	24,289
Equitable Sharing of Federally Forfeited Property	16.000	1,280,056
Passed through Department of Community Health, Office of Drug Control		
Policy - Brynne Memorial Formula Grant Program	16.579	38,875
Passed through Family Independence Agency - Juvenile Accountability		
Block Grant	16.523	4,344
Passed through Michigan Department of State Police:		
2002 State Domestic Preparedness Program	16.007	81,156
State Homeland Security Grant Program - Exercise Grant	16.007	17,033
2003 State Homeland Security Grant Program Pt II Training Grant	97.004	37,215
2003 Part I State Homeland Security Program	97.004	<u>82,180</u>
Total U.S. Department of Justice		1,829,862
U.S. Department of Transportation:		
Passed through Michigan Department of State Police and Downriver		
Community Conference - Drive Michigan Safely Task Force	20.600	38,217
Passed through Michigan Department of Transportation:		
Improvements - Schaefer Road from Rouge River to Tireman		
(Jobs 43686A, 43687A, 74481A and 74442A)	20.205	259,819
Resurface - Southfield Service Drive from South City Limits to Rouge		
River (Job 74481A)	20.205	729,186
Resurface - Tireman from Miller Road to City Limits (Job 75535A)	20.205	<u>14,384</u>
Total U.S. Department of Transportation		<u>1,041,606</u>
Total federal programs		<u><u>\$ 16,561,119</u></u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,286,267
Add federal money recorded as a capital contribution from grants on the financial statements	8,999,126
Add federal money recorded as a pass-through activity in Trust and Agency Funds	83,514
Add federal money recorded as a liability (Combined Sewer Overflow Phase A)	1,711,890
Add federal money classified as forfeited revenue	1,280,056
Add federal revenue classified as miscellaneous revenue on financial statements	177,713
Add grant receivable not recorded under modified accrual statements	21,080
Add interest revenue spent on federal program	518
Add MCAA state receivable previously classified as federal	<u>955</u>
 Federal expenditures per the schedule of expenditures of federal awards	 <u>\$ 16,561,119</u>

City of Dearborn, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2005 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 6,086

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 69,969
Emergency Shelter Grant	14.231	73,114

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
66.606	U.S. Environmental Protection Agency - Rouge River Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
05-01	<p>Program Name - U.S. Environmental Protection Agency - Rouge River Grants 66.606</p> <p>Pass-through Entity - County of Wayne, Michigan</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In order to comply with Davis Bacon requirements, the City should review contractor payroll submissions and certifications on a timely basis, ascertain that the laborers and operators were paid prevailing wage rates, and reconcile job site interviews performed to the certified payroll list.</p> <p>Condition - The City failed to review contractor payroll submissions and certifications on a timely basis, ascertain that the laborers and operators were paid prevailing wage rates, and perform and reconcile job site interviews to the certified payroll list according to Davis Bacon requirements.</p> <p>Questioned Costs - None</p> <p>Context - A misunderstanding over who was responsible for ensuring compliance with Davis Bacon requirements, the City or the general contractor, led to neither party performing a timely review of the payroll records or performing and reconciling job site interviews to the certified payroll list.</p> <p>Cause and Effect - Contractor payroll submission and certifications were not reviewed timely, job site interviews were not performed. However, per review of payroll records subsequent to year end, the payroll records indicated that the laborers and operators were paid wages that complied with federal prevailing wage rates.</p>

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-01 (Continued)	<p>Recommendation - The City should perform timely review of payroll records submitted by the contractors, ascertain that the laborers and operators were paid prevailing wage rates, and reconcile job site interviews to the certified payroll list according to Davis Bacon requirements on a regular basis to ensure compliance with federal requirements.</p> <p>Views of responsible officials and planned corrective actions - The City has devoted time to additional familiarization of city and contractor staff with federal requirements for compliance with Davis Bacon and has established procedures for regular review of contractor payroll records.</p>



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October 17, 2005

Honorable Mayor and Members of the City Council
City of Dearborn
City Hall Annex West
4500 Maple
Dearborn, MI 48126

Dear Mayor and Council Members:

We have recently completed our audit of the basic financial statements of the City of Dearborn for the year ended June 30, 2005. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Internal Control Items

Recreation Center

As a no-cost service to the City, we continue to select one remote cash collection location each year and perform additional procedures related to cash handling at that location. This year, the Ford Community and Performing Arts Center was selected as the location to be tested. Our procedures include interviews of personnel, review of documentation, and performance of system walkthroughs. As a result our procedures, we have made recommendations to management related to improvements to internal controls that should be considered. Please keep in mind, internal controls should be implemented where the benefit of the control exceeds the cost.

Internal Audit

While we recognize that Dearborn, like most communities in Michigan, is currently experiencing the financial challenges of a tough state economy, we continue to encourage management to consider the benefits of implementing internal audit functions. While it is likely not practical for Dearborn's size to utilize a full-time internal audit staff, we do believe there are internal audit functions that can be done by existing staff which would be beneficial. For example, a designated finance staff member could do periodic on-site visits to remote cash collection locations to monitor and test cash handling procedures. Sampling of procurement transactions by a staff outside the purchasing department could be done to confirm that city policy is being followed. We would be happy to assist management in further investigating the opportunity for the City to implement selected internal audit procedures.



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District Court

During our testing at the District Court, we noted that the bond account detail ledger did not agree to the general ledger balance. We encourage management to reconcile these two ledgers on a monthly basis.

Federal Awards

During our testing of the River Rouge National Demonstration Grants, it was noted that the monitoring of Davis-Bacon compliance was subcontracted to the engineering firm. This is a common practice with construction grants. However, we found the engineering firm had not been testing the compliance as required by the grant. Subsequent to our testing, the engineering firm has gone back and satisfactorily tested the compliance requirement. However, in every situation such as this, the City is still ultimately responsible for grant compliance. We recommend that management review the City's procedures for making sure compliance is monitored in every situation. In a grant such as this one, the monitoring might be limited to periodic testing to make sure the engineering firm is properly monitoring the grant requirements.

Operational items

Funding of Postemployment Benefit Obligations

We continue to bring to your attention the Governmental Accounting Standards Board Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the City will need to continue to budget only the expected cash payments, whether directly for health insurance premiums or for contributions to a prefunding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in the coming years. We recommend that the City continue its proactive efforts to monitor and fund this future expenditure. This statement will be effective July 1, 2007.

Cost Allocation

State law allows for the City's General Fund to charge Street Funds for reimbursement of administrative functions, up to 10 percent of Act 51 revenues received. Currently, it appears that the Street Funds are paying less than 10 percent of Act 51 revenues in administrative reimbursements. Management should continue to monitor the cost of administration provided by the General Fund to determine if the General Fund has been fully reimbursed to the cost of administrative services provided to other funds.

Bank Reconciling Items

During our review of bank reconciliation procedures, it was noted that one account had reconciling items that dated back to 1998. We encourage management to keep reconciling items current and to have sound policies for disposing of old reconciling items (through write-offs or escheat procedures).

Water and Sewer

During our testing, we noted that billings for two zones experienced a delay in billings for the fourth quarter. This did not appear to be a recurring issue, and perhaps the primary cost is a small loss based on the time value of money. Nonetheless, we feel it our obligation to be sure you are aware of the situation.

Many local governments that we serve find that certain zones within their communities have fairly predictable usage. If this is the case with Dearborn, we encourage management to consider whether fewer actual readings of meters by utilizing more estimated readings would reduce the cost to the system. If the zones are truly predictable, then an estimated reading will generally not be materially different and can be trued-up periodically with the an actual reading.

Legislative Issues

State-shared Revenue

The Governor's budget for the State of Michigan's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. In essence, no further reductions to revenue sharing below the current fiscal year 2005 funding level were being proposed. During the budget deliberation process over the spring and summer, cuts were proposed by the legislature to revenue sharing and then subsequently restored. The budget for fiscal year 2005/2006 is not done yet. While the expectation is that revenue sharing payments on an individual community by community basis for fiscal year 2005/2006 will be funded at fiscal year 2004/2005 levels, the legislature still must finalize its budget negotiations, and the revenue sharing act will require an amendment to accomplish distribution in this manner. By law, the legislature and the governor need to complete their work on the budget by September 30, 2005 and appropriations (like revenue sharing which is one very large line item in the State's budget) can change during that time.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments revenue sharing and for fiscal years 2004/2005 and 2005/2006 the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. There appears to be no long-term solution to the State's structural deficit in its General Fund, as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

As a result of a changes made by the State to revenue sharing last year, counties were required to move their property tax levy date for their operating millage from December to July in July 2005. A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple-year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out.

Transportation Matters

The State is now expecting lower than originally anticipated Act 51 receipts for the State's 2004/2005 fiscal year, which ends September 30, 2005. The Michigan Department of Transportation reported that receipts through the six-month period ended April 30, 2005 were 4 percent behind last year. Plante & Moran publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the state level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the City's Major and Local Street Fund. The lower than anticipated collections could impact the City's fiscal year 2005/2006 budget.

Local Government Finance Model

This spring, the governor issued an executive order assembling a local government fiscal task force to study the financial challenges of Michigan local governments. The local government fiscal task force is currently holding meetings and forums, but is not expected to meet the original report due date of November 30, 2005. Unrelated to the local government fiscal task force, citizens research council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

Tax Matters

The centerpiece of the governor's fiscal year 2005/2006 State of Michigan budget is significant business tax reform of the Michigan Single Business Tax. The governor's business tax reform proposal appeared to spare local governments from any negative impact of the changes and actually contained a provision to address the loophole in property tax assessments related to commercial property (known as WPW) which we have discussed with you previously. As of this date, there is no consensus in Lansing on the governor's tax proposal and alternative proposals are being discussed in the legislature, including one recently passed by the House. Therefore, the impact on local government from these potential changes cannot be determined. A key component to most of the tax restructuring proposals is a significant credit on personal property taxes paid by certain businesses. Many questions have arisen from these proposals such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. Debate on these tax restructuring proposals will continue over the next several months into the fall.

Taxing Municipal Recreation Operations

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appears to be municipal golf course operations but other recreation operations (such as ice arenas and recreation centers) could become part of the scope. There have been hearings on the subject and it is not clear which direction this issue will take in the fall.

Personal Property Tax Update

As you are aware, with the adoption several years ago by the State Tax Commission of new personal property tax tables for utilities (which made drastic changes to the transmission and distribution property of utilities and resulted in a corresponding revenue loss to local governments), many communities such as Dearborn elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables, which generated a series of lawsuits on this subject. To date, the new utility personal property tax tables implemented by the State Tax Commission have been upheld. In certain jurisdictions, refunds have been made or are in process from local governments to the utilities.

A settlement has recently been reached with DTE Energy which would settle all appeals with Detroit Edison and MichCon. The settlement is structured such that no money, in the form of tax refunds or additional taxes, need be exchanged between the utilities and local governmental units. The agreement has approximately 10 stipulations that must be adhered to for it to be finalized. The more significant ones are as follows:

- In the next three years, if the city uses any multipliers to value MichCon or Detroit Edison personal property, other than the presently approved State Tax Commission multipliers, the utility can enforce a judgment from 1997 through 1999, involving refund of taxes with interest
- Each year that the City abides by the agreement, a year of the 1997-1999 potential refunds is dropped.
- Settlements with Detroit, Dearborn, and six other Wayne County communities must be concluded by the beginning of December 2005

The City has recorded a liability for the amount that is owed to the utility companies. This liability will be able to be reduced each year the conditions are met, which allows for a tax year to be dropped. It is important to remember this settlement has not been accepted by all communities and has stipulations that still need to be met before it is officially in place. We will continue to monitor these events and inform management as they progress.

Honorable Mayor and
Members of the City Council
City of Dearborn

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October 17, 2005

Telecommunications Act Update

The Michigan Telecommunications Act is scheduled to sunset at December 31, 2005. There is a threat that the rewrite of the Act could include a restriction or elimination of the regulation of telecommunication companies (including cable operators which would impact franchise fees received by local governments). There is also considerable discussion about prohibiting local governments from being in the telecommunications business which may have an impact on current or future activities of the City.

We thank you for the opportunity to serve the City of Dearborn. If you wish to discuss any of the items included in this report or other matters, we would be happy to do so.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink that reads "Leslie J. Pulver". The script is cursive and fluid.

Leslie J. Pulver

A handwritten signature in black ink that reads "Christopher S. Jones". The script is cursive and fluid.

Christopher S. Jones